

The Auditor-General
Audit Report No.12 2011–12
Performance Audit

Implementation of the National Partnership Agreement on Remote Indigenous Housing in the Northern Territory

Australian National Audit Office

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Canberra ACT
10 November 2011

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Families, Housing, Community Services and Indigenous Affairs with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Implementation of the National Partnership Agreement on Remote Indigenous Housing in the Northern Territory*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

ANAO	Australian National Audit Office
ABS	Australian Bureau of Statistics
COAG	Council of Australian Governments
DHLGRS	Northern Territory Department of Housing, Local Government and Regional Services
FaHCSIA	Department of Families Housing, Community Services and Indigenous Affairs
EDTL	Executive Director of Township Leasing
NPARIH	National Partnership Agreement on Remote Indigenous Housing
RHNT	Remote Housing Northern Territory
RSD	Remote Service Delivery
SIHIP	Strategic Indigenous Housing and Infrastructure Program
TOC	Target Outturn Cost

Glossary

Alliance contracting	A contracting method supporting the delivery of major capital works projects or assets where the parties agree to work cooperatively, reaching decisions jointly by consensus using an integrated management team, sharing rewards and risks, and using an open-book approach to determine costs and payments.
Closing the Gap	Closing the Gap is a commitment by all Australian governments to improve the lives of Indigenous Australians, and in particular provide a better future for Indigenous children. The commitment is supported by six targets that measure improvements in life expectancy, employment and education.
Early works	Approved works which can commence prior to the approval of the overall package of works to be delivered by the alliance consortia.
Housing precinct lease	Leases granted under section 19 of the <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> . These are leases held over individual house lots in Indigenous communities for the specific purpose of facilitating the provision and maintenance of public housing.
National Indigenous Reform Agreement	Overarching agreement between the Australian and state/territory governments to give effect to the Closing the Gap policy commitment. Supported by a series of bilateral agreements with each state and territory government, and a range of national partnership agreements.

National Partnership Agreement on Remote Indigenous Housing	A 10-year agreement between the Australian Government and all state and territory governments, apart from the Australian Capital Territory, to address the provision of housing for Indigenous people in remote communities and consequently reduce overcrowding and homelessness, improve housing conditions, and the availability of housing in remote Indigenous communities.
Non-owner participant	The private sector or commercial body participating in the alliance to deliver the program outputs.
Owner	The government agency responsible for delivery of the program. In this case the owner is the Northern Territory Government as represented by the Department of Housing, Local Government and Regional Services.
Package development report	Document prepared by the non-owner participants that outlines the scope and costs of works to be performed. Approval of the package development report by the owner's financial delegate is the process which triggers the commencement of major construction works.
Pain/gain share	The pain and/or gain share arrangements are part of the payment structure of the alliance contracting framework. The arrangements provide for the sharing of risk and benefits, which are determined by comparing actual and target performance in both cost and non-cost areas.
Rebuilt house	A house where between \$100 000 and \$300 000 is spent on capital works with the aim of restoring functionality and, as far as possible, returning the house to its original level of amenity. Rebuilt houses are expected to be delivered across the program at an average cost of \$200 000.

Refurbished house	A house where between \$20 000 and \$100 000 is spent on capital works, to make the house safe and functional through the repair of electrical and plumbing components, and by providing: a place to bathe; and facilities to wash clothes, remove and store waste, and store, prepare and cook food. Refurbishments are expected to be delivered across the program at an average cost of \$75 000.
Township lease	Leases granted under section 19A of the <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> . These leases cover a whole township and range from 40 to 99 years. The land itself remains the property of the traditional owners, but a lease over the land is held on behalf of the Australian Government by the Executive Director of Township Leasing. A township lease primarily provides certainty of tenure over the land, which means that organisations entering into a sub-lease arrangement for the provision of services or operation of a business have some certainty that they can operate their activity for the life of the sub-lease.

Summary and Recommendations

Summary

Introduction

1. The need to improve the social and economic outcomes of Indigenous Australians was widely recognised in 2007, when the Council of Australian Governments (COAG) agreed to a partnership between all levels of government to work with Indigenous communities to close the gap on Indigenous disadvantage. The resultant National Indigenous Reform Agreement committed the Australian, state and territory governments to significantly increased activity in seven key areas to reduce Indigenous disadvantage. The seven areas, referred to as building blocks, are: early childhood; schooling; health; economic participation; healthy homes; safe communities; and governance and leadership.

2. In developing the National Indigenous Reform Agreement, COAG has emphasised that action in one of the building blocks can influence progress in another. In this respect, improved housing has been identified by COAG as being able to make positive contributions to life expectancy, education and employment outcomes and reduced infant mortality. Housing need in remote Indigenous communities was considered to be at critical levels, with many houses overcrowded and in very poor condition. In response, COAG endorsed the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in November 2008.

3. The objectives of the NPARIH over the ten-year period 2008–09 to 2017–18, are to:

- significantly reduce severe overcrowding in remote Indigenous communities;
- increase the supply of new houses;
- improve the condition of existing houses in remote Indigenous communities; and
- ensure that rental houses are well-maintained and managed in remote Indigenous communities.

4. The NPARIH is being delivered in all state and territory jurisdictions in Australia apart from the Australian Capital Territory. Each state government and the Northern Territory Government is separately responsible for program

delivery in its own jurisdiction, and specific targets and funding levels have been agreed between the Australian Government and each jurisdiction, as shown in Table 1. Underlying these targets is a series of reform activities specific to each jurisdiction in the areas of public housing and tenancy management in remote Indigenous communities.

Table 1

Australian Government NPARIH funding and targets by jurisdiction (2008–09 to 2017–18)

State/Territory	Total funding	New houses targets	Refurbished houses targets
Northern Territory ¹	\$1.7 billion	1456	2915
Queensland	\$1.2 billion	1141	1216
Western Australia	\$1.2 billion	1012	1288
South Australia	\$291.5 million	241	206
New South Wales	\$396.8 million	310	101
Tasmania	\$28.0 million	18	51
Victoria	\$30.4 million	–	–
Commonwealth own Purpose Expenditure	\$698.5 million	–	–
Total	\$5.5 billion	4178	5777

Source: Department of Families Housing, Community Services and Indigenous Affairs.

Note 1: The original NPARIH target was 2052 refurbished houses; the target was increased to 2915 following the intergovernmental review of the program in 2009, and consideration of community needs and previous notional allocations. In the Northern Territory two categories of refurbishments have been introduced: rebuilt houses, where between \$100 000 and \$300 000 is invested, and refurbished houses, where an investment of more than \$20 000 but less than \$100 000 is made.

Implementing the NPARIH in the Northern Territory

5. Overall funding of \$2 billion over ten years is available to implement the NPARIH in the Northern Territory. This includes \$1.7 billion to be provided by the Australian Government and a \$240 million contribution by the Northern Territory Government. An additional \$77 million is also being provided by the Australian Government from other funding sources. In line with the implementation arrangements agreed in all jurisdictions for the NPARIH, the Australian Government provides funding for housing and infrastructure works, and for property and tenancy management reform. The Northern Territory Government is responsible for the delivery of a program of capital works, including new, rebuilt and refurbished houses, and the

associated infrastructure. The Northern Territory Government also delivers property and tenancy management services to remote Indigenous communities. Both governments have a shared responsibility for delivery of the overall outcomes sought through the NPARIH.

6. While the most visible objective of the NPARIH is the improvement of the physical housing stock, this is one of four key elements which are to be implemented as a package. In addition to the capital works element, the other three elements are: land tenure reform; reformed property and tenancy management arrangements; and increased local Indigenous employment.

7. The capital works component of the NPARIH includes the delivery of works in 73 remote Indigenous communities and a number of town camps¹ in the Northern Territory. Within this component, major works are being undertaken to construct 1456 new houses and develop housing related infrastructure in 16 of the 73 communities and the Alice Springs, Tennant Creek and Borroloola Town Camps. Across all 73 communities and town camps, a total of 2915 houses will also be either rebuilt or refurbished.

8. Reforms to land tenure, in particular the development of long-term leases over Indigenous land, are designed to support government investment in housing and infrastructure and to provide a right of access to undertake property maintenance activities. The Northern Territory NPARIH implementation plan states that the 'government[s] must have access to and control of the land on which construction will proceed for a minimum period of 40 years'.² The Australian Government's preferred position is to negotiate whole-of-township leases, covering 40 to 99 years.

9. To help improve the sustainability of the investment in housing, the Northern Territory Government is progressively implementing standardised property and tenancy management arrangements for public housing in remote Indigenous communities. These arrangements are expected to assist with the maintenance of houses and to extend the useful life of houses in remote Indigenous communities to 30 years. Standardised arrangements did not

¹ Town camps include land leased primarily for residential, community or cultural purposes for Aboriginal people under: the Special Purposes Leases Act of the Northern Territory; or the Crown Lands Act of the Northern Territory.

² Implementation Plan for the National Partnership Agreement on Remote Indigenous Housing, Between the Commonwealth of Australia and the Northern Territory, 2009, p. 5.

previously exist, as public housing stock in remote communities was managed by individual Indigenous community housing organisations.

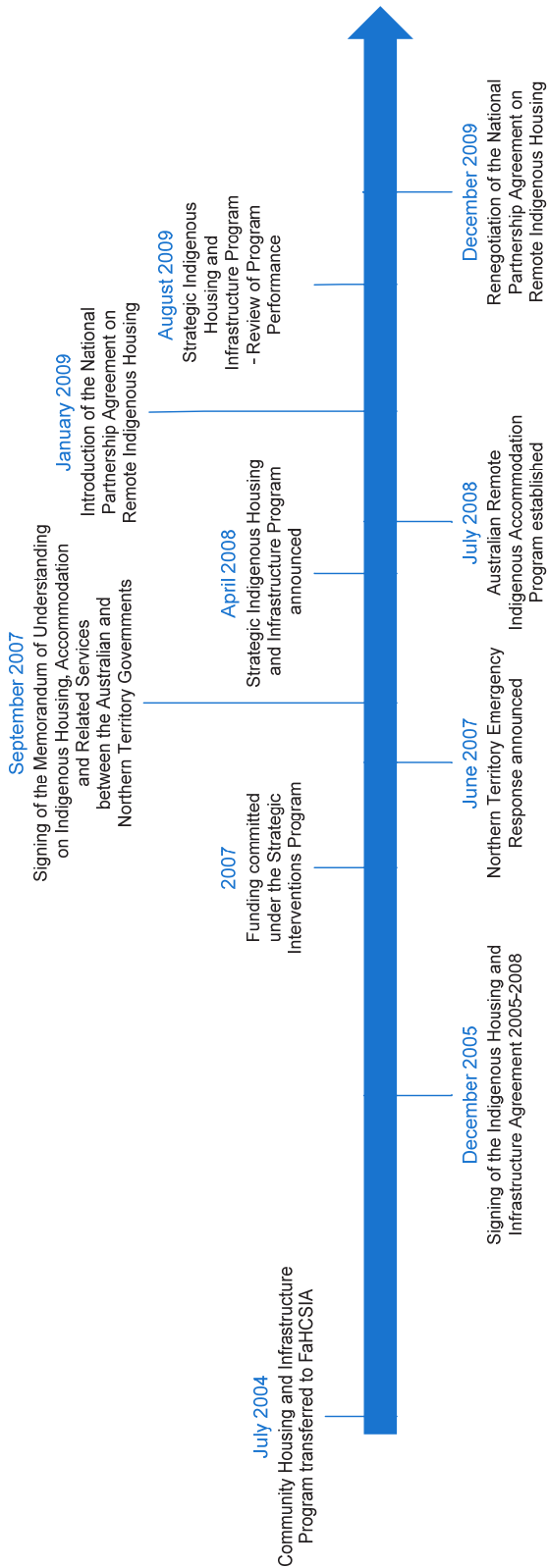
10. Lastly, increasing Indigenous economic participation is a key cross-cutting objective of the National Indigenous Reform Agreement. The NPARIH, accordingly, includes measures to build economic development opportunities in communities by way of increased local training and employment in construction and housing management. The Australian and Northern Territory Governments have agreed that local Indigenous people should make up a minimum of 20 per cent of the labour force involved in the program.

Recent Indigenous housing programs in the Northern Territory

11. Improving Indigenous housing in the Northern Territory has been a policy priority for successive Australian and Northern Territory Governments, although the actual delivery arrangements of these programs since 2008 has been subject to several changes. Figure 1 provides a timeline of recent Indigenous housing programs and events in the Northern Territory, commencing with the Community Housing and Infrastructure Program (CHIP) which was funded by the Australian Government between 1998–99 and 2007. Responsibility for CHIP, a national program, was transferred to the now Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) in July 2004 following the abolition of the Aboriginal and Torres Strait Islander Commission. In administering CHIP, the Australian Government provided funding to state and territory governments as well as funding to Indigenous community housing organisations. This funding was used for housing construction, the provision of municipal services and environmental health infrastructure, and property and tenancy management.

Figure 1

Evolution of Indigenous housing programs in the Northern Territory



Source: Australian National Audit Office analysis of FaHCSIA information.

12. Under CHIP, the Australian and Northern Territory Governments entered into a series of bilateral agreements for the provision of housing and infrastructure in remote Indigenous communities, which, in later periods, evolved into the Northern Territory component of the NPARIH. A number of the features of the current NPARIH delivery arrangements originated in these earlier agreements. For example, in 2007 the Australian and Northern Territory Governments reached agreement to commit over \$193 million in funding under the Strategic Interventions Program with the aim of improving housing in remote Indigenous communities. The program made provision for the construction of new houses, the refurbishment of houses, and the development of land servicing and supporting infrastructure.

13. Prior to the development of the Strategic Interventions Program, housing programs in the Northern Territory had been small and were considered by the two governments to be unable to achieve efficiencies or economies of scale, while traditional contracting methods were considered not to be delivering quality outcomes. Program delivery was also considered to be achieving little in the way of employment or training opportunities for local Indigenous people. Accordingly, the Northern Territory and Australian Governments commissioned an external review to advise on an alternative approach to delivering housing construction in the Northern Territory. The review recommended the use of strategic alliance contracting using a panel of alliances; this advice was subsequently accepted by both governments.

14. Shortly after the introduction of the Northern Territory Emergency Response in July 2007³, the Australian and Northern Territory Governments signed a Memorandum of Understanding (MoU) on Indigenous Housing, Accommodation and Related Services which sought to reshape the provision of Indigenous housing in the Northern Territory over the period 2007–08 to 2010–11. Under the MoU, the Australian Government committed \$793 million of existing funding from former housing programs, of which \$527 million was specifically allocated to improve the quality of existing housing and

³ The Northern Territory Emergency Response (NTER) was announced on 21 June 2007 by the Australian Government. The immediate aims of the NTER measures were to protect children and make communities safe. In the longer term the measures were designed to create a better future for Aboriginal communities in the Northern Territory. The NTER contained a wide range of specific measures, including the compulsory acquisition by the Australian Government of five-year leases over 64 Northern Territory communities. While this was not directly an initiative to improve housing, the acquisition was undertaken to enable prompt access for delivery of services, repairs of buildings and the upgrading of infrastructure.

infrastructure, and to increase the housing stock in remote Indigenous communities. Key reforms introduced in the MoU included: public ownership of houses in remote Indigenous communities, and the introduction of property and tenancy management arrangements that were similar to those in place for public housing in the Northern Territory.

15. Subsequently, in April 2008, the Australian and Northern Territory Governments announced the creation of a 'landmark housing project', which reallocated the funding for housing and infrastructure agreed under the MoU to a new program, the Strategic Indigenous Housing and Infrastructure Program (SIHIP). Funding for housing and infrastructure was then increased from \$527 million to \$672 million, and the Northern Territory Government agreed to construct 750 new houses, rebuild 230 houses and refurbish 2500 houses by December 2013. All 64 communities and town camps covered by the Northern Territory Emergency Response were to receive funding under the program.

16. Shortly after announcing the development of SIHIP, CHIP was replaced by the Australian Remote Indigenous Accommodation Program (ARIA).⁴ Like CHIP, ARIA was a national program and was designed to reform Indigenous housing and infrastructure delivery arrangements through bilateral agreements with state and territory governments. As a result, ARIA then became the funding source for SIHIP.

17. SIHIP continued the use of alliance contracting that had earlier been developed under the Strategic Interventions Program and, following the announcement of SIHIP, the Northern Territory Government commenced an open tender process to establish a panel of alliance consortia that would deliver the work. Three alliance consortia were chosen⁵, although prior to the release of the first packages of works to be delivered under SIHIP, COAG reached agreement to enter into the NPARIH.

18. The development of the NPARIH, in November 2008, led to further change in the delivery of housing programs in the Northern Territory. Of the \$5.5 billion committed nationally to the NPARIH, approximately \$3.5 billion

⁴ A review of CHIP, completed in 2007, concluded that the housing needs of Indigenous people in remote areas had not been well served by CHIP. The review led to the program's replacement and the introduction of the ARIA from July 2008.

⁵ Both governments and one of the alliance consortia mutually agreed in March 2010 to cease operations.

was sourced by incorporating existing ARIA funding. This had the effect of subsuming into the NPARIH most pre-existing Indigenous housing programs, including SIHIP. The original SIHIP housing targets, as discussed in paragraph 15, were incorporated into the Northern Territory NPARIH interim targets. These targets were later revised to 934 new, 415 rebuilt and 2500 refurbished houses, to be delivered by the end of 2012–13.

19. The introduction of the NPARIH increased the available funding for remote Indigenous housing in the Northern Territory. As noted in paragraph 5, overall funding of \$2 billion is available over ten years to implement the NPARIH in the Northern Territory. This includes \$1.7 billion of funding to be provided by the Australian Government through the NPARIH, a \$240 million contribution from the Northern Territory Government, and an additional \$77 million of Australian Government funding from other sources. Importantly, the alliance contracting arrangements that had been established for SIHIP and its predecessor programs were continued for the delivery of housing construction and housing-related infrastructure.

20. Initial progress against the housing targets was slow and resulted in media coverage during July 2009 suggesting that no homes had been constructed in almost two years of SIHIP's operation.⁶ In response, the then Australian Government Minister for Families, Housing, Community Services and Indigenous Affairs announced a review of SIHIP. The review involved officers from both the Australian and Northern Territory Governments and was completed in August 2009.⁷ Overall, the review found that the program had been slow to deliver housing, that there were unresolved leadership and capacity issues, and that substantially greater involvement by the Australian and Northern Territory Governments was required, with strong oversight at the day-to-day operational level.⁸

21. In response to the review, joint management arrangements were implemented to drive program performance. FaHCSIA formed a new branch

⁶ Although SIHIP was subsumed into the NPARIH, the media and government refer to the program as SIHIP.

⁷ SIHIP was also reviewed by the Auditor-General for the Northern Territory. The report titled *Strategic Indigenous Housing and Infrastructure Program—June 2010 Report to the Legislative Assembly*, was tabled in the Northern Territory Parliament on 8 June 2010.

⁸ Department of Families, Housing, Community Services and Indigenous Affairs and the Northern Territory Government, *Strategic Indigenous Housing and Infrastructure Program—Review of Program Performance*, 28 August 2009, Canberra.

based in Darwin with 15 officers, who were assigned to positions within the Northern Territory Government's program management structure, and both governments became 'jointly responsible, accountable and in direct control of program management and direction'.⁹ The joint management arrangements were operational from August 2009.

Request from the Australian Senate

22. On 13 May 2010, the Australian Senate requested the Auditor-General to undertake an 'investigation of waste and mismanagement of the Strategic Indigenous Housing and Infrastructure Program (SIHIP)'.¹⁰ At the time of this request, six new houses had been constructed, 146 houses had been rebuilt or refurbished and the joint management arrangements had been in place for nine months. The thrust of the request was for the Auditor-General to assess whether the:

- Northern Territory Government was managing the contracts for construction and refurbishments in a way that achieved value-for-money;
- Northern Territory Government had appropriate arrangements in place for tenancy management; and
- Australian Government was exercising sufficient supervision over the Northern Territory Government in implementing SIHIP.

23. In response to the Senate request, the Australian National Audit Office (ANAO) undertook preliminary research to better understand the allocation of responsibilities for the program and to inform the objective, scope and timing of an audit. The *Auditor-General Act 1997* currently provides for examination of the operations of Australian Government bodies.¹¹ Accordingly, the ANAO has primarily focused on the program management arrangements, the role of the Australian Government in these arrangements, and the overall progress of the

⁹ *ibid.*, p. 32.

¹⁰ Commonwealth of Australia, *Parliamentary Debates, Senate Official Hansard*, No. 5, 2010, Thursday, 13 May 2010, Canberra, p. 2842.

¹¹ The Joint Committee of Public Accounts and Audit in Report 419 recommended, among other things, that the Auditor-General's mandate be extended to allow the Auditor-General, in certain circumstances to audit the performance of recipients of Commonwealth funding. A Private Member's Bill in support of this recommendation, *Auditor-General Amendment Bill 2011*, was introduced into the Parliament in early 2011.

NPARIH in the Northern Territory. Capital works and property and tenancy management implementation arrangements have also been included in the audit, as their effective implementation supports the overall progress of the program.

Audit objective, scope and criteria

24. The objective of the audit was to assess the effectiveness of the implementation of the NPARIH in the Northern Territory from the perspective of the Australian Government.

25. The audit focused on the administration of the program following the August 2009 review, *Strategic Indigenous Housing and Infrastructure Program-Review of Program Performance*, which increased the Australian Government's presence and role in the overall management of the program. In some areas, the ANAO covered events which occurred prior to this period to provide context for the discussion or support the audit findings. In order to reach a conclusion against the audit objective, the ANAO assessed whether:

- program management arrangements put in place following the August 2009 review were effectively supporting the implementation of the NPARIH in the Northern Territory;
- program implementation arrangements were operating effectively; and
- progress against the Northern Territory NPARIH implementation plan targets was being regularly monitored and assessed, and was meeting expectations.

Overall conclusion

26. Increasing the supply and quality of housing in remote Indigenous communities underpins most of the overall targets established under the National Indigenous Reform Agreement to help close the gap on Indigenous disadvantage. The National Indigenous Reform Agreement specifically identifies better housing as having a direct link to: improved life expectancy, better education, improved employment outcomes, and reduced infant mortality. Housing need is high in the Northern Territory and the existing stock of housing and related infrastructure had deteriorated significantly prior to the commencement of the NPARIH. As a result, the scale of construction works under NPARIH exceeds that of previous remote Indigenous housing programs in the Northern Territory. In addition, implementation of the

NPARIH is accompanied by activities designed to: reform land tenure arrangements; standardise property and tenancy management arrangements; and increase local Indigenous employment in the construction and maintenance of houses.

27. The initial implementation of the NPARIH in the Northern Territory was slow in terms of delivering the expected housing outputs; at the time of the Senate request in May 2010, just six new houses had been completed and 146 houses had been rebuilt or refurbished. The establishment of the joint management arrangements served to increase the program's implementation capacity and, as at 30 June 2011, 324 new houses had been constructed and 1592 houses had been rebuilt or refurbished. This exceeds the cumulative annual targets that both governments set following the August 2009 review. Nevertheless, these targets are lower than had been originally planned and agreed in the 2009 Northern Territory NPARIH implementation plan, which contained a target of 383 new houses to be constructed by 30 June 2011.

28. Progress has also been made in other areas. Land tenure arrangements had been agreed in 14 of the 16 communities scheduled to receive major capital works under the program. Standardised tenancy management arrangements have been developed and are being progressively implemented, and Indigenous employment has averaged 34 per cent, with 1137 Indigenous persons employed over the life of the program to 30 June 2011. Between 2007–08 and 2010–11, \$810.9 million was spent on remote Indigenous housing in the Northern Territory under the NPARIH and the previous housing program, SIHIP. Of this expenditure, \$758.1 million relates to the capital works component of the program, including housing, housing-related infrastructure and program management.

29. The revised program management arrangements developed in August 2009, which involved embedding Australian Government officers into the Northern Territory Government's program management structure, and establishing a joint management approach, have been effective in improving the implementation of the NPARIH in the Northern Territory. However, in implementing this joint management approach, which is atypical in management arrangements across jurisdictions, less attention has been given to the articulation of the operational role of the Australian Government, and to the development of robust program management systems and processes in the areas of master planning, risk management, budget control and financial reporting. Accordingly, further work is required to clarify the responsibilities

and accountabilities of the Australian Government in this arrangement, and to fully develop key financial management and reporting processes to support the effective implementation of the program. Some work has commenced in these areas.

30. The provision of infrastructure such as roads, electricity, water and sewerage is an essential part of providing sustainable public housing and creating healthy and functional homes. Infrastructure funding under the NPARIH was originally planned for new subdivisions and was not intended to address major upgrades of the existing essential services needed to accommodate higher demand from the increased number of houses, or connections from the new subdivisions. As a result, infrastructure requirements are significantly higher than forecast. As a short-term measure to address this shortfall, the governments agreed that housing costs and essential service infrastructure costs would be sourced initially from the NPARIH out-year funding and other Northern Territory Government programs. However, drawing down funds from the NPARIH to pay for infrastructure in the early packages will reduce the funding available in the later years for other packages, unless additional funding for infrastructure is available in future periods. A National Partnership for Remote Indigenous Infrastructure, as envisaged in the National Indigenous Reform Agreement, is still to be considered by government. At the time of the audit it is not clear when this issue will be resolved and/or the level of funding that may be available, leaving questions about whether funding for the full program will be sufficient.

31. Improving the supply and quality of housing is likely to contribute to the achievement of the program's overall objective of improving living conditions in remote Indigenous communities. However, the combination of a relatively young population, high fertility rates and movement of people to larger communities with better access to government services and economic development opportunities, will influence the extent to which living conditions are improved. It is likely that to achieve the NPARIH average occupancy target for the Northern Territory of 9.3 persons per dwelling, the remote Indigenous housing stock in the Northern Territory will need to be further increased, above the level anticipated in the NPARIH.

32. The ANAO has made three recommendations to support the effective implementation of the NPARIH in the Northern Territory. The first recommendation relates to FaHCSIA clarifying and reflecting in program

documentation its ongoing operational role in the management and delivery of the program. The second and third recommendations relate to strengthening the public reporting on progress towards the objectives of the NPARIH and on the financial performance of the program.

Key findings

Program management arrangements

33. The delivery of Indigenous programs generally requires the Australian Government to work with state and territory governments. Improving collaboration and integration between the different levels of government, and their services, has been highlighted as a priority by COAG in the National Indigenous Reform Agreement. National partnership agreements, as the key delivery mechanisms of the National Indigenous Reform Agreement and other reform agreements, were designed to promote collaboration and encourage a shared accountability for outcomes between the different governments involved. At the same time, the design of the agreements has largely maintained the Australian Government's position as a funder of programs and services that are to be delivered by the state and territory governments. These roles are clearly articulated at a high-level in the NPARIH for all jurisdictions, and applied during the initial stages of implementation in the Northern Territory. However, the subsequent development of joint management arrangements led to responsibility for program delivery, and the overall accountability for results, being shared between FaHCSIA and the Northern Territory Department of Housing, Local Government and Regional Services (DHLGRS).

34. The joint arrangements have given the Australian Government greater visibility over key implementation issues and progress being achieved in all elements of the NPARIH in the Northern Territory. FaHCSIA officers have been embedded within the program management structure of the responsible Northern Territory Government department and, as a result, the Australian Government has ready access to detailed program and package information. This has assisted with managing program progress and risks, influencing outcomes, and strengthening collaboration between the responsible government departments at operational and senior management levels. The joint management arrangements also help to promote a shared understanding and agreement of program objectives and expected outputs. As a result, the arrangements in the Northern Territory, while atypical, can be considered to be

a positive approach to integration as they provide a sound base for practical collaboration between jurisdictions, and assist in overcoming many of the boundary issues which can arise in interjurisdictional partnerships.

35. Nevertheless, such joint arrangements can lead to a blurring of responsibilities and accountabilities for program management particularly when, as is the case for NPARIH, the respective roles and responsibilities of the administering departments have not been formally specified at the operational level. Given that the joint management arrangements are a significant change from the high-level allocation of roles and responsibilities under the NPARIH and those generally applying to Australian, state and territory government arrangements, it would be appropriate for the revised program management arrangements to be formally articulated, so that there is concurrence with respect to the management responsibilities and accountabilities of both parties.

36. The Northern Territory NPARIH implementation plan, which is agreed by both governments and is to be reviewed annually, is required to outline the governance arrangements in place for the program. The most current agreed version of this plan dates from March 2009 and pre-dates the implementation of the joint management arrangements. The annual review of the plan, while commenced, is overdue for finalisation. FaCHSIA informed the ANAO in October 2011 that the revised implementation plan has been agreed at officer level and is expected to be finalised during October 2011. The drafts of the annual review and subsequent implementation plans provided to the ANAO did not reflect the changed role of the Australian Government or operation of the joint management arrangements.

37. An important aspect of collaborative implementation is the need to avoid adding to administrative burdens by developing duplicate management systems. Instead, attention should be paid to the early development of joint systems or the modification of existing systems so that they meet the management needs of both administering departments. Implementation of the NPARIH in the Northern Territory formally commenced in March 2009.¹² The development of key management processes and information systems to effectively support program management has been slow; at the time of audit

¹² The NPARIH was agreed by COAG in December 2008 and the Northern Territory implementation plan was signed by both governments in March 2009.

fieldwork during late 2010, an up-to-date master plan or schedule, a documented approach to managing risks for the program, and an overarching financial management control framework did not exist.

38. Development of a more systematic approach to the monitoring, reporting and management of the program's budget and financial information was needed for the longer-term sustainability of the program and to enable the Australian Government, as the main funder, to assure itself that the desired progress was being achieved within the agreed costs. Greater attention began to be paid to improving the planning and management systems from late 2010 and improved program management systems and processes are now being progressively developed and implemented. By early 2011, frameworks for risk management, budget and delivery control had been implemented, and work was underway to develop a master plan and schedule for the program. These initiatives, while delayed, will serve to strengthen the joint management of the program.

Program implementation arrangements

39. The construction, rebuilding and refurbishment of Indigenous housing in remote communities are the key program outputs of the Northern Territory component of the NPARIH and these are being delivered through alliance contracting. Construction works are undertaken as packages, which are generally made up of a combination of new, rebuilt and refurbished houses, serviced land development and civil works. Packages approved to 30 June 2011 are comprised of between two and 110 new houses and 74 to 306 rebuilt or refurbished houses, with the exception of the Southern Region Refurbishments Package. This was a refurbishment-only package covering 27 communities surrounding Alice Springs, and included in excess of 700 refurbishments.

40. The allocation, scoping, negotiation and approval of packages is a major element of the program and can be a lengthy process, taking over 12 months in some cases. To progress housing delivery while packages are being developed and to deliver an immediate benefit to communities, the governments have made use of an approach referred to as early works. These are agreed works which can commence prior to the approval of the package, and were designed to enable the commencement of minor works, such as the set up of construction camps and site works. While early works maintain program momentum, scoping and implementation takes place outside of the

agreed package development process and is later integrated into the overall package cost. This can make it more difficult for the departments in negotiating the total package cost, as works are already underway.

41. By 31 December 2010, \$130 million in early works had been approved. This has included the construction of workers' camps, purchase of material, development of new sub-divisions, construction of new houses, and the refurbishment and rebuilding of houses. This was approximately 14 per cent of the value of the approved packages, including housing and infrastructure. The relatively high value of early works highlights the need for the package development process, in particular the timeliness of the process, to be further improved.

42. Maintaining controls over program costs is an essential element of program management. FaHCSIA has sought to benchmark construction costs being incurred in the Northern Territory against other jurisdictions. The resultant benchmarking study concluded that construction costs for new houses in the Northern Territory are higher than the estimated cost of construction in other jurisdictions which face similar climatic and remoteness conditions. However, the study noted that there are significant additional costs being incurred in the Northern Territory due to the large scale and pace of construction. For example, to achieve the program's interim targets, the alliances are operating concurrently in several remote communities, constructing, in some cases, between 80 and 100 or more houses in each.

43. The ANAO also considered the cost of construction including base construction costs and indirect costs, which include the alliance partners' profit or fee, contribution to corporate overheads, insurances and contingency. The base construction costs are broadly comparable to general construction industry parameters.¹³ The alliance partners' fees and corporate overheads, the main component of management related indirect costs, are agreed during the package development process and are based on the usual fees and corporate overheads that have been charged by the alliance partners for previous

¹³ ANAO compared base construction costs to the *Rawlinson's Construction Guide 2011*, using building costs per square metre for a full brick dwelling and a prefabricated dwelling. These dwelling types are not available under the program, but provide an indicative cost for comparison purposes. The approach adopted provides a broad comparison of the base construction cost, but does not include the full range of costs incurred by the program due to location and program-specific parameters, which cannot be easily quantified. For a more accurate comparison a full costing of comparable building components would be required.

comparable projects. Under the pain-share model, the payment of indirect costs is at risk subject to the performance of the alliance partners against pre-agreed targets and key result areas.

Program progress

44. By 30 June 2011, progress had been made in all major areas of program implementation with total program expenditure of \$810.9 million, including expenditure under SIHIP which preceded the NPARIH. The revised housing targets for the program developed in late 2009 have been met or exceeded, with the construction of 324 new houses and the rebuilding or refurbishment of 1592 existing houses by 30 June 2011. This is a positive achievement. However, under the original NPARIH implementation plan, prior to the development of the joint management arrangements, a total of 383 new houses were to have been built by 30 June 2011. Therefore, while implementation has been made more effective, the governments had not made up the progress lost in the initial stages of the program.

45. The number of new houses being constructed in 2011–12 and 2012–13 is expected to increase, which will be necessary if the accelerated interim target of 934 new houses by 30 June 2013 is to be achieved. Packages have been allocated that will allow for the delivery of a total of 677 new houses by 2012–13, but further packages covering an additional 257 new houses will need to be scoped and approved during 2011–12, to allow sufficient time for the additional houses to be constructed. In the remaining years of the program to 30 June 2018, in total, 1132 new houses will need to be constructed and 1323 houses will need to be rebuilt or refurbished, if the Northern Territory Government is to achieve its NPARIH targets of 1456 new houses and 2915 rebuilt or refurbished houses.

46. At this stage of program implementation, FaHCSIA and DHLGRS have focused on publicly reporting the number of new, rebuilt and refurbished houses completed. However, noting the shared responsibility of both governments for the achievement of the NPARIH objectives and outcomes, there would be benefit in publicly reporting on the number of houses that have been handed-over and tenanted, and the time between completion and occupancy, as this would provide a reflection of how well the construction element of the program has been integrated with the tenancy element to assist in achieving the objective of reducing overcrowding. There would also be benefit in reporting on the proportion of houses meeting applicable housing

standards, and the level of improvement in housing amenity. This data is available from property and tenancy management information systems, maintained by DHLGRS.

47. Local Indigenous employment is also an area where progress could be better measured and reported. Currently, FaHCSIA and DHLGRS measure and report on total Indigenous employment. To align the measurement and reporting of outcomes in this area with the NPARIH performance indicators and benchmarks, and to support greater public understanding of achievements, a clearer distinction should be drawn between local and total Indigenous employment.

Agency responses

48. A summary of FaHCSIA's response to the report, dated 17 October 2011, is reproduced below. The Department's full response is at Appendix 1.

I am pleased that the report acknowledges the progress that has been made by the Australian and Northern Territory Governments in implementing the NPARIH in the Northern Territory. In particular, I would agree that the joint management arrangements have had a positive impact on the delivery of outcomes under the Program since the review of the Strategic Indigenous Housing and Infrastructure Program in August 2009.

FaHCSIA accepts the three recommendations made in the Report and will work in partnership with the Northern Territory Government to implement these recommendations in a timely way.

In responding to the Report, it is appropriate to acknowledge that through the NPARIH the Australian Government is providing \$5.5 billion nationally over ten years to help address overcrowding, homelessness and poor housing condition for remote Indigenous communities. Since the commencement of NPARIH, more than 840 new houses have been completed and a further 3,300 houses have been rebuilt or refurbished nationally.

In the Northern Territory the NPARIH will provide \$1.7 billion over 10 years. This is the largest investment ever made in Indigenous housing in the Northern Territory. The program remains on target to build 934 new houses and to complete 2915 rebuilds and refurbishments by the end of June 2013. Already, more than 340 new houses and 1,780 rebuilds and refurbishments have been completed. These works are improving the quality of life for Indigenous families in more than 80 communities and town camps across the Northern Territory.

These works have delivered better housing for thousands of Indigenous Australians in remote locations across Australia. In addition to housing investment, the Australian, State and Northern Territory Governments have also put in place secure land tenure arrangements as a pre-condition for this investment, so that responsibilities are clear. In addition, standard tenancy management arrangements are also being put in place so that rents can be collected and repairs and maintenance carried out.

The recommendations made in the Report will assist the Department to further improve our delivery of this important government initiative. As you are aware, improved housing is central to broader government efforts to help close the gap in outcomes for Indigenous people. I look forward to advising you of our progress against the recommendations in due course.

49. A summary of DHLGRS' response to the report, dated 17 October 2011, is reproduced below. DHLGRS' full response is at Appendix 1.

Thank you for the opportunity to respond to your audit report and recommendations relating to the Implementation of the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in the Northern Territory dated 16 September 2011.

The Northern Territory Government is committed to improving housing and employment outcomes for Indigenous people in remote communities and is now making significant inroads in the delivery of housing construction and remote public housing reforms supported under NPARIH. Territory Housing manages approximately 4500 remote public houses across 73 remote communities, town camps and community living areas. Construction works are now complete in over 40 communities and continuing in a number of communities and town camps, to date 600 new houses and 1816 rebuilds and refurbishments have been completed or are underway. A target of 20% has been set for Indigenous employment across the Program, with over 30% of the workforce the current Indigenous participation since commencement.

I would like to highlight that since the audit was conducted and report prepared, several of the areas for improvement identified in the audit report have been progressed, including review and implementation of revised governance frameworks and tools, the recruitment of a Quality Manager and development of a formalised handover documentation process.

Structure of management arrangements and governance frameworks demand ongoing consideration for a complex program of the scale and complexity as that now being delivered under NPARIH.

As your audit has found, the joint program management arrangement in place since the August 2009 Review of the Program with my Department and

FaHCSIA staff, has led to a sound base for practical collaboration and has assisted in overcoming many of the issues that can arise in inter-jurisdictional partnerships. The post review arrangements have strengthened the role of the Joint Steering Committee with greater direct involvement in the actual program delivery by the Australian Government.

The construction program is delivering on an unprecedented scale and the roll out of remote housing management reforms are now well underway. This progress provides the opportunity to again consider optimum governance structures for the delivery of NPARIH in the Northern Territory, including the option to reduce the operational support in the program currently being provided by FaHCSIA.

Recommendations

The ANAO has made the following recommendations aimed at articulating the roles and responsibilities of the Australian Government, and enhancing the reporting of progress against the NPARIH objectives and outcomes, and the cost of packages of works.

Recommendation 1

Paragraph 2.20

To support a clear understanding of the operational role of FaHCSIA in the remaining implementation of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA articulates its role and responsibilities in relation to program implementation and delivery, and identifies the conditions which, when achieved, would support a reduction in its existing level of operational support.

FaHCSIA's response: Agreed.

DHLGRS' response: Agreed.

Recommendation 2

Paragraph 2.57

To inform the Australian Parliament of progress towards the outcomes and objectives of NPARIH, the ANAO recommends that FaHCSIA develops and reports publicly on an intermediate set of relevant outcome-based performance indicators, in addition to the current reporting on program outputs.

FaHCSIA's response: Agreed.

DHLGRS' response: Supported.

Recommendation 3
Paragraph 3.34

In view of the public interest in the program and to inform the Australian Parliament about whether value-for-money is being achieved in the delivery of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA publicly reports key program information, including the planned and actual package costs, on completion of each package, and the total program cost compared to the allocated NPARIH funding and other funding sources as appropriate.

FaHCSIA's response: Agreed.

DHLGRS' response: Agreed.

Audit Findings

1. Background and Context

This chapter discusses the policy context within which the Northern Territory component of the National Partnership Agreement on Remote Indigenous Housing is being implemented and delivered. It also provides background information on Indigenous housing, the scope of works being delivered under the program, the alliance methodology and describes the audit objective, scope and methodology.

Introduction

1.1 The need to improve the social and economic outcomes of Indigenous Australians was widely recognised in 2007, when the Council of Australian Governments (COAG) agreed to a partnership between all levels of government to work with Indigenous communities to close the gap on Indigenous disadvantage. The resultant National Indigenous Reform Agreement committed the Australian, state and territory governments to significantly increased activity in seven key areas to reduce Indigenous disadvantage. The seven areas, referred to as building blocks, are: early childhood; schooling; health; economic participation; healthy homes; safe communities; and governance and leadership.

1.2 In developing the National Indigenous Reform Agreement, COAG has emphasised that action in one of the building blocks can influence progress in another. In this respect, improved housing has been identified by COAG as being able to make positive contributions to life expectancy, education and employment outcomes and reduced infant mortality. Housing need in remote Indigenous communities was considered to be at critical levels, with many houses overcrowded and in very poor condition. In response, COAG endorsed the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in November 2008.

1.3 The objectives of the NPARIH over the ten-year period 2008–09 to 2017–18, are to:

- significantly reduce severe overcrowding in remote Indigenous communities;
- increase the supply of new houses;
- improve the condition of existing houses in remote Indigenous communities; and

- ensure that rental houses are well-maintained and managed in remote Indigenous communities.

1.4 The NPARIH is being delivered in all state and territory jurisdictions in Australia apart from the Australian Capital Territory. Each state government and the Northern Territory Government is separately responsible for program delivery in its own jurisdiction, and specific targets and funding levels have been agreed between the Australian Government and each jurisdiction, as shown in Table 1.1. Underlying these targets is a series of reform activities specific to each jurisdiction in the areas of public housing and tenancy management in remote Indigenous communities.

Table 1.1

NPARIH funding and targets by jurisdiction (2008–09 to 2017–18)

State/Territory	Total funding	New houses targets	Refurbished houses targets
Northern Territory ¹	\$1.7 billion	1456	2915
Queensland	\$1.2 billion	1141	1216
Western Australia	\$1.2 billion	1012	1288
South Australia	\$291.5 million	241	206
New South Wales	\$396.8 million	310	101
Tasmania	\$28.0 million	18	51
Victoria	\$30.4 million	–	–
Commonwealth Own Purpose Expenditure	\$698.5 million	–	–
Total	\$5.5 billion	4178	5777

Source: Department of Families, Housing, Community Services and Indigenous Affairs.

Note 1: The original NPARIH target was 2052 refurbished houses; the target was increased to 2915 following the intergovernmental review of the program in 2009, and consideration of community needs and previous notional allocations. In the Northern Territory two categories of refurbishments have been introduced: rebuilt houses, where between \$100 000 and \$300 000 is invested, and refurbished houses, where an investment of more than \$20 000 but less than \$100 000 is made.

Implementing the NPARIH in the Northern Territory

1.5 Overall funding of \$2 billion over ten years is available to implement the NPARIH in the Northern Territory. This includes \$1.7 billion to be provided by the Australian Government and a \$240 million contribution by the Northern Territory Government. An additional \$77 million is also being provided by the Australian Government from other funding sources. In line

with the implementation arrangements agreed in all jurisdictions for the NPARIH, the Australian Government provides funding for housing and infrastructure works, and for property and tenancy management reform. The Northern Territory Government is responsible for the delivery of a program of capital works, including new, rebuilt and refurbished houses, and the associated infrastructure. The Northern Territory Government also delivers property and tenancy management services to remote Indigenous communities. Both governments have a shared responsibility for delivery of the overall outcomes sought through the NPARIH.

1.6 While the most visible objective of the NPARIH is the improvement of the physical housing stock, this is one of four key elements which are to be implemented as a package. In addition to the capital works element, the other three elements are: land tenure reform; reformed property and tenancy management arrangements; and increased local Indigenous employment.

1.7 The capital works component of the NPARIH includes the delivery of works in 73 remote Indigenous communities and a number of town camps in the Northern Territory.¹⁴ Within this component, major works are being undertaken to construct 1456 new houses and develop housing related infrastructure in 16 of the 73 communities and the Alice Springs, Tennant Creek and Borroloola Town Camps. Across all 73 communities and town camps, a total of 2915 houses will also be either rebuilt or refurbished.

1.8 Reforms to land tenure, in particular the development of long-term leases over Indigenous land, are designed to support government investment in housing and infrastructure and to provide a right of access to undertake property maintenance activities. The Northern Territory NPARIH implementation plan states that the ‘government must have access to and control of the land on which construction will proceed for a minimum period of 40 years’.¹⁵ The Australian Government’s preferred position is to negotiate whole-of-township leases, covering 40 to 99 years.

¹⁴ Town camps include land leased primarily for residential, community or cultural purposes for Aboriginal people under: the Special Purposes Leases Act of the Northern Territory; or the Crown Lands Act of the Northern Territory.

¹⁵ *Implementation Plan for the National Partnership Agreement on Remote Indigenous Housing, Between the Commonwealth of Australia and the Northern Territory*, 2009, p. 5.

1.9 To help improve the sustainability of the investment in housing, the Northern Territory Government is progressively implementing standardised property and tenancy management arrangements for public housing in remote Indigenous communities. These arrangements are expected to assist with the maintenance of houses and to extend the useful life of houses in remote Indigenous communities to 30 years. Standardised arrangements did not previously exist, as public housing stock in remote communities was managed by individual Indigenous community housing organisations.

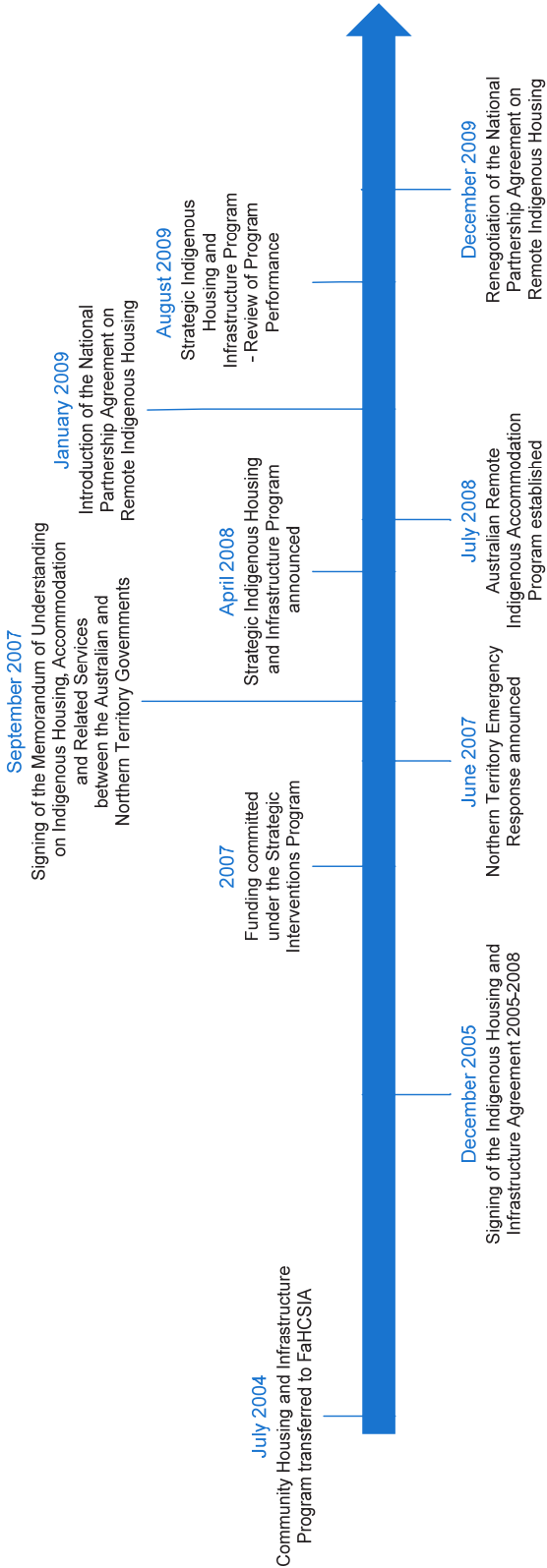
1.10 Lastly, increasing Indigenous economic participation is a key cross-cutting objective of the National Indigenous Reform Agreement. The NPARIH, accordingly, includes measures to build economic development opportunities in communities by way of increased local training and employment in construction and housing management. The Australian and Northern Territory Governments have agreed that local Indigenous people should make up a minimum of 20 per cent of the labour force involved in the program.

Recent Indigenous housing programs in the Northern Territory

1.11 Improving Indigenous housing in the Northern Territory has been a policy priority for successive Australian and Northern Territory Governments, although the actual delivery arrangements of these programs since 2008 has been subject to several changes. Figure 1.1 and Appendix 2 provides a timeline of recent Indigenous housing programs and events in the Northern Territory, commencing with the Community Housing and Infrastructure Program (CHIP) which was funded by the Australian Government between 1998–99 and 2007. Responsibility for CHIP, a national program, was transferred to the now Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) in July 2004 following the abolition of the Aboriginal and Torres Strait Islander Commission. In administering CHIP, the Australian Government provided funding to state and territory governments as well as funding to Indigenous community housing organisations. This funding was used for housing construction, the provision of municipal services and environmental health infrastructure, and property and tenancy management.

Figure 1.1

Evolution of Indigenous housing programs in the Northern Territory



Source: Australian National Audit Office analysis of FaHCSIA information.

1.12 Under CHIP, the Australian and Northern Territory Governments entered into a series of bilateral agreements for the provision of housing and infrastructure in remote Indigenous communities, which, in later periods, evolved into the Northern Territory component of the NPARIH. A number of the features of the current NPARIH delivery arrangements originated in these earlier agreements. For example, in 2007 the Australian and Northern Territory Governments reached agreement to commit over \$193 million in funding under the Strategic Interventions Program with the aim of improving housing in remote Indigenous communities. The program made provision for the construction of new houses, the refurbishment of houses, and the development of land servicing and supporting infrastructure.

1.13 Prior to the development of the Strategic Interventions Program, housing programs in the Northern Territory had been small and were considered by the two governments to be unable to achieve efficiencies or economies of scale, while traditional contracting methods were considered not to be delivering quality outcomes. Program delivery was also considered to be achieving little in the way of employment or training opportunities for local Indigenous people. Accordingly, the Northern Territory and Australian Governments commissioned an external review to advise on an alternative approach to delivering housing construction in the Northern Territory. The review recommended the use of strategic alliance contracting using a panel of alliances; this advice was subsequently accepted by both governments.

1.14 Shortly after the introduction of the Northern Territory Emergency Response in July 2007¹⁶, the Australian and Northern Territory Governments signed a Memorandum of Understanding (MoU) on Indigenous Housing, Accommodation and Related Services which sought to reshape the provision of Indigenous housing in the Northern Territory over the period 2007–08 to 2010–11. Under the MoU, the Australian Government committed \$793 million of existing funding from former housing programs, of which \$527 million was specifically allocated to improve the quality of existing housing and

¹⁶ The Northern Territory Emergency Response (NTER), was announced on 21 June 2007 by the Australian Government. The immediate aims of the NTER measures were to protect children and make communities safe. In the longer term the measures were designed to create a better future for Aboriginal communities in the Northern Territory. The NTER contained a wide range of specific measures, including the compulsory acquisition by the Australian Government of five-year leases over 64 Northern Territory communities. While this was not directly an initiative to improve housing, the acquisition was undertaken to enable prompt access for delivery of services, repairs of buildings and the upgrading of infrastructure.

infrastructure, and to increase the housing stock in remote Indigenous communities. Key reforms introduced in the MoU included: public ownership of houses in remote Indigenous communities, and the introduction of property and tenancy management arrangements that were similar to those in place for public housing in the Northern Territory.

1.15 Subsequently, in April 2008, the Australian and Northern Territory Governments announced the creation of a 'landmark housing project', which reallocated the funding for housing and infrastructure agreed under the MoU to a new program, the Strategic Indigenous Housing and Infrastructure Program (SIHIP). Funding for housing and infrastructure was then increased from \$527 million to \$672 million, and the Northern Territory Government agreed to construct 750 new houses, rebuild 230 houses and refurbish 2500 houses by December 2013. All 64 communities and town camps covered by the Northern Territory Emergency Response were to receive funding under the program.

1.16 Shortly after announcing the development of SIHIP, CHIP was replaced by the Australian Remote Indigenous Accommodation Program (ARIA).¹⁷ Like CHIP, ARIA was a national program and was designed to reform Indigenous housing and infrastructure delivery arrangements through bilateral agreements with state and territory governments. As a result, ARIA then became the funding source for SIHIP.

1.17 SIHIP continued the use of alliance contracting that had earlier been developed under the Strategic Interventions Program and, following the announcement of SIHIP, the Northern Territory Government commenced an open tender process to establish a panel of alliance consortia that would deliver the work. Three alliance consortia were chosen¹⁸, although prior to the release of the first packages of works to be delivered under SIHIP, COAG reached agreement to enter into the NPARIH.

1.18 The development of the NPARIH, in November 2008, led to further change in the delivery of housing programs in the Northern Territory. Of the \$5.5 billion committed nationally to the NPARIH, approximately \$3.5 billion

¹⁷ A review of CHIP, completed in 2007, concluded that the housing needs of Indigenous people in remote areas had not been well served by CHIP. The review led to the program's replacement and the introduction of the ARIA from July 2008.

¹⁸ Both governments and one of the alliance consortia mutually agreed in March 2010 to cease operations.

was sourced by incorporating existing ARIA funding. This had the effect of subsuming into the NPARIH most pre-existing Indigenous housing programs, including SIHIP. The original SIHIP housing targets, as discussed in paragraph 1.15, were incorporated into the Northern Territory NPARIH interim targets. These targets were later revised to 934 new, 415 rebuilt and 2500 refurbished houses, to be delivered by the end of 2012–13.

1.19 The introduction of the NPARIH increased the available funding for remote Indigenous housing in the Northern Territory. As noted in paragraph 1.5, overall funding of \$2 billion is available over ten years to implement the NPARIH in the Northern Territory. This includes \$1.7 billion of funding to be provided by the Australian Government through the NPARIH, a \$240 million contribution from the Northern Territory Government, and an additional \$77 million of Australian Government funding from other sources. Importantly, the alliance contracting arrangements that had been established for SIHIP and its predecessor programs were continued for the delivery of housing construction and housing-related infrastructure.

Scope of capital works under the program

1.20 The overall scope of works to be delivered under the NPARIH in the Northern Territory is currently 1456 new houses, 415 rebuilt houses and 2500 refurbished houses by 2017–18. Initially, under SIHIP 750 new houses were to be built, 230 houses rebuilt and 2500 houses refurbished. Although the 2009 Northern Territory NPARIH implementation plan included a set of targets that were lower than the agreed SIHIP targets for rebuilt and refurbished houses, the governments subsequently amended the implementation plan to reflect the SIHIP targets.

1.21 Following the assessment of the condition of houses in several communities and the Tennant Creek and Alice Springs Town Camps, it was identified that due to the generally poor condition of houses a larger number needed to be either rebuilt or replaced. The Northern Territory Department of Housing, Local Government and Regional Services (DHLGRS) and FaHCSIA subsequently increased the target for rebuilt houses to 415 and increased the interim annual new house targets. Funding for the program also needed to be aligned to match program progress and the expected early delivery of the

interim housing targets. NPARIH funding to the value of \$316.7 million¹⁹ was brought forward and, at that time, the governments committed to a revised set of accelerated interim targets, being 934 new houses and 2915 rebuilt or refurbished houses by 30 June 2013.

1.22 The construction, rebuilding and refurbishment of Indigenous housing in remote communities are the key program outputs of the Northern Territory component of the NPARIH and these are being delivered through alliance contracting. Construction works are undertaken as packages, which are generally made up of a combination of new, rebuilt and refurbished houses, serviced land development and civil works. Packages approved to 30 June 2011 are comprised of between two and 110 new houses and 74 to 306 rebuilt or refurbished houses, with the exception of the Southern Region Refurbishments Package. This was a refurbishment-only package covering 27 communities surrounding Alice Springs, and included in excess of 700 refurbishments. Appendix 3 is a map of the proposed package boundaries as at 30 June 2011.

1.23 The allocation of funding, and the number of new and rebuilt houses, and refurbishments to be completed in a community has been largely based on commitments made to communities in 2008. By the end of June 2011, 10 packages had been approved and were underway. These packages of works have a combined value of \$560.5 million for housing-related works. Table 1.2 outlines the value of packages by community and expected housing outputs.

¹⁹ NPARIH funding for the Northern Territory to the value of \$316.7 million is being brought forward in 2010–11 and 2011–12 from 2012–13, 2013–14 and 2014–15.

Table 1.2**Allocated packages of works and expected outputs as at 30 June 2011**

Community or package	Budget (millions)	New houses	Rebuilt houses	Refurbished houses
Alice Springs Town Camps	\$65.6	85	101	33
Galiwinku	\$52.8	90	22	52
Groote Eylandt	\$65.3	80	42	65
Gunbalanya	\$39.2	62	10	88
Maningrida	\$68.9	110	40	110
Ngukkur	\$45.0	53	26	280
Southern Region Refurbishments	\$56.8	–	–	708
Tennant Creek Town Camps	\$14.6	2	78	–
Tiwi islands	\$85.3	90	123	71
Wadeye	\$67.0	105	28	124
Total allocated	\$560.5	677	470	1531
Target 2012–13	-	934	415	2500

Source: FaHCSIA and JSC papers.

1.24 In determining the make up of packages, the two governments have made a commitment that a minimum of 50 per cent of all new dwellings will have three bedrooms and that no more than 10 per cent of each package will be made up of single bedroom dwellings. This is an important condition if overcrowding in remote Indigenous communities in the Northern Territory is to be improved. Under the NPARIH both governments are aiming to achieve an average occupancy rate of 9.3 persons per dwelling. Table 1.3 outlines the number and type of new houses being constructed in each community where the package of works has been approved.

Table 1.3**Approved packages of works—number and type of new houses being constructed by community where scoped**

Community	Total number of new dwellings	One bedroom	Two bedrooms	Three bedrooms	Four or more bedrooms
Alice Springs Town Camps	85	–	42	43	–
Galiwinku	90	6	39	45	–
Groote Eylandt	80	–	39	41	–
Gunbalanya	62	–	31	30	1
Maningrida	110	10	45	55	–
Ngukurr	53	–	26	27	–
Tennant Creek	2	–	–	2	–
Tiwi Islands ¹	90	8	45	34	3
Wadeye	105	–	52	52	1
Total	677	24	319	329	5

Source: FaHCSIA

Note 1: All packages approved following the August 2009 review have at least 50 per cent of houses with three or more bedrooms. The Tiwi Islands package was approved prior to the review.

Program average costs parameters

1.25 The NPARIH funding allocation to the Northern Territory was initially based on average cost estimates of \$348 750²⁰ for a new house and \$143 000 for major repairs or replacement. As part of the intergovernmental review of the program completed in August 2009²¹, the governments agreed to new program average cost parameters of \$450 000 for a new house, \$200 000 for a rebuilt house and \$75 000 for a refurbished house. A contingency allowance of 7 per cent was also made to cover cost escalation and program delays. The review team worked with the alliance partners to develop a suite of standard

²⁰ This average cost estimate includes a base cost of \$325 000 per house plus an allowance for dynamic population growth of \$23 750 per house.

²¹ The intergovernmental review is discussed in more detail in the section: recent events and program progress to date.

new house designs which they expected to be able to deliver within the program's funding allocation.

1.26 The review also defined the parameters for a rebuilt house and refurbished house. These are linked to the expected cost of capital works. A rebuilt house is one where between \$100 000 and \$300 000 is spent on capital works to return the houses to their full functionality. To provide works to as many houses as possible in a community, the concept of functional refurbishment was introduced. Functional refurbishments are expected to cost between \$20 000 and \$100 000 per house, aim to make the houses safe, and provide serviceable bathrooms, kitchens and laundries.

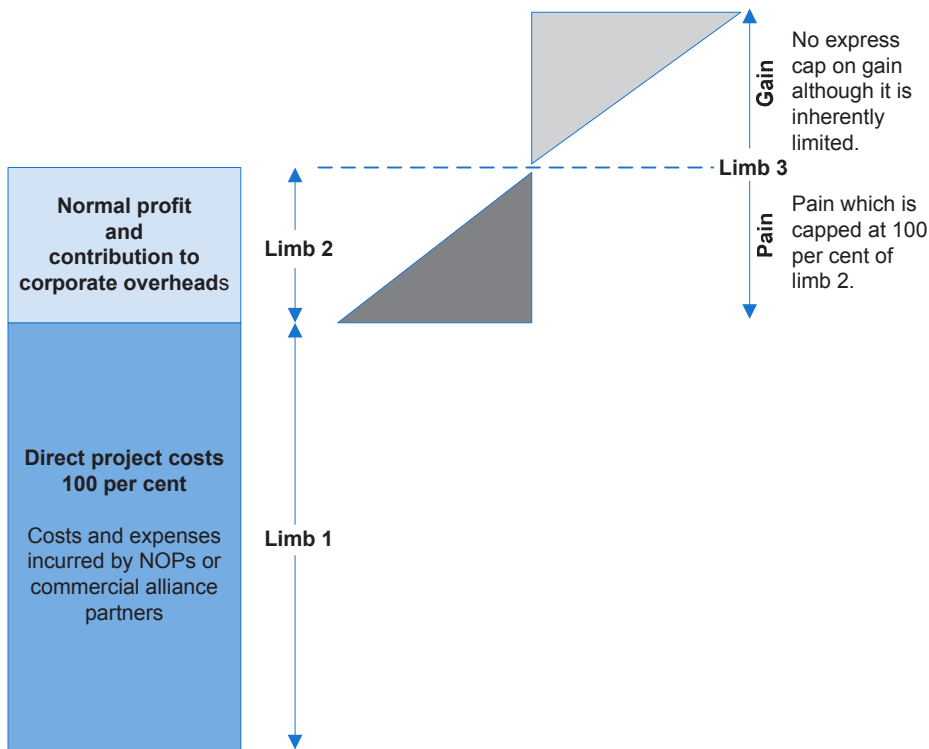
1.27 In November 2009, the cost parameters for new and rebuilt houses and functional refurbishments were released and were effective immediately for all work except for construction work in Groote Eylandt, Tiwi Island and the Tennant Creek Town Camps, where packages had already commenced. These three approved packages included average house cost estimates of \$404 000 for a four bedroom duplex unit to \$674 000 for a 10 person house. The cost of rebuilding houses was expected to range from \$126 000 to \$173 000.

Alliance contracting

1.28 As noted earlier, alliance contracting was a feature developed and agreed in 2007 under previous Northern Territory housing programs. According to FaHCSIA, the alliance model was maintained for the NPARIH in preference to traditional fixed price construction contracting because of the size and complexity of the construction program and the unpredictability of the risks associated with building housing and infrastructure in remote Northern Territory Indigenous communities.

1.29 Alliances are comprised of owners on the one hand, and non-owner participants on the other. In this case, the owner is DHLGRS, and by default, through operation of the joint management arrangements, FaHCSIA. The non-owner participants are some of Australian largest construction companies.

1.30 The commercial and working arrangements for the alliances are established through the alliance partnership agreements. The current alliance partnership agreements were developed jointly by the Australian and Northern Territory Government in 2008 under a relationship contracting model, one form of alliancing. The commercial framework is characterised as a three-limb model, and as illustrated in Figure 1.2.

Figure 1.2**Alliance compensation model**

Source: Australian National Audit Office—adapted from DHLGRS information.

1.31 As identified in Figure 1.2, limb one involves the payment of 100 per cent of direct costs related to the work undertaken. Direct costs are those costs and expenses incurred by the non-owner participants (alliance partners) in performing the work. These costs are reimbursed on an open book basis. Limb two is the fee negotiated to cover normal or business-as-usual profit and overheads for similar projects. Limb three is the pre-agreed gain-share/pain-share regime where the rewards for good performance and penalties for poor performance are shared between the alliance partners depending on how actual outputs compare with the pre-agreed targets and key result areas. This may result in gain-share or pain-share for the non-owner participants, as determined by the responsible alliance leadership team, in accordance with the alliance participation agreement.

1.32 Alliance contracting has been used by Australian and state governments in the delivery of a range of projects and is an accepted part of

the procurement spectrum. In a recent benchmarking study it was estimated that governments across Australia, during 2009, would spend \$8 billion on procuring infrastructure projects under alliance delivery methodologies.²²

Program progress to date

1.33 Initial progress against the program's housing targets was slow and resulted in media coverage during July 2009 suggesting that no homes had been constructed in almost two years of SIHIP's operation.²³ In response, the then Australian Government Minister for Families, Housing, Community Services and Indigenous Affairs announced a review of SIHIP. The review involved officers from both the Australian and Northern Territory Governments and was completed in August 2009.²⁴ Overall, the review found that the program had been slow to deliver housing, that there were unresolved leadership and capacity issues, and that substantially greater involvement by the Australian and Northern Territory Governments was required, with strong oversight at the day-to-day operational level.²⁵

1.34 In response to the review, joint management arrangements were implemented to drive program performance. FaHCSIA formed a new branch based in Darwin with 15 officers, who were assigned to positions within the Northern Territory Government's program management structure, and both governments became 'jointly responsible, accountable and in direct control of program management and direction'.²⁶ The joint management arrangements were operational from August 2009.

1.35 The NPARIH has been in place in the Northern Territory since early 2009. By the end of June 2011, 324 new houses had been constructed, 344 houses had been rebuilt and 1248 houses had been refurbished. Progress

²² Department of Treasury and Finance, Victoria, *In Pursuit of Additional Value, A benchmarking study into alliancing in the Australian Public Sector*, October 2009, Victoria, p. x.

²³ Although SIHIP was subsumed into the NPARIH, the media and government refer to the program as SIHIP.

²⁴ SIHIP was also reviewed by the Auditor-General for the Northern Territory. The report titled *Strategic Indigenous Housing and Infrastructure Program—June 2010 Report to the Legislative Assembly*, was tabled in the Northern Territory Parliament on 8 June 2010.

²⁵ Department of Families, Housing, Community Services and Indigenous Affairs and the Northern Territory Government, *Strategic Indigenous Housing and Infrastructure Program—Review of Program Performance*, 28 August 2009, Canberra.

²⁶ *ibid.*, p. 32.

reported against the Northern Territory NPARIH housing targets to 30 June 2011, is presented in Table 1.4.

Table 1.4

Progress against Northern Territory NPARIH targets to June 2011

Details	New houses	Rebuilt and refurbished houses
Targets	317	1374
Actual progress	324	1592

Source: FaHCSIA.

Request from the Australian Senate

1.36 On 13 May 2010, the Australian Senate requested the Auditor-General to undertake an ‘investigation of waste and mismanagement of the Strategic Indigenous Housing and Infrastructure Program (SIHIP)’.²⁷ At the time of this request, six new houses had been constructed, 146 houses had been rebuilt or refurbished and the joint management arrangements had been in place for nine months. The thrust of the request was for the Auditor-General to assess whether the:

- Northern Territory Government was managing the contracts for construction and refurbishments in a way that achieved value-for-money;
- Northern Territory Government had appropriate arrangements in place for tenancy management; and
- Australian Government was exercising sufficient supervision over the Northern Territory Government in implementing SIHIP.²⁸

1.37 In response to the Senate request, the Australian National Audit Office (ANAO) undertook preliminary research to better understand the allocation of responsibilities for the program and to inform the objective, scope and timing of an audit. The *Auditor-General Act 1997* currently provides for examination of

²⁷ Commonwealth of Australia, *Parliamentary Debates, Senate Official Hansard*, No. 5, 2010, Thursday, 13 May 2010, Canberra, p. 2842.

²⁸ Refer to Appendix 4 for an extract from the Senate Journal of 13 May 2010, outlining the details of Motion 793.

the operations of Australian Government bodies.²⁹ Accordingly, the ANAO has primarily focused on the program management arrangements, the role of the Australian Government in these arrangements, and the overall progress of the NPARIH in the Northern Territory. Capital works and property and tenancy management implementation arrangements have also been included in the audit, as their effective implementation supports the overall progress of the program.

Audit objective, scope and criteria

1.38 The objective of the audit was to assess the effectiveness of the implementation of the NPARIH in the Northern Territory from the perspective of the Australian Government.

1.39 The audit focused on the administration of the program following the August 2009 review, *Strategic Indigenous Housing and Infrastructure Program – Review of Program Performance*, which increased the Australian Government’s presence and role in the overall management of the program. In some areas, the ANAO covered events which occurred prior to this period to provide context for the discussion or support the audit findings. In order to reach a conclusion against the audit objective, the ANAO assessed whether:

- program management arrangements put in place following the August 2009 review were effectively supporting the implementation of the NPARIH in the Northern Territory;
- program implementation arrangements were operating effectively; and
- progress against the Northern Territory NPARIH implementation plan targets was being regularly monitored and assessed, and was meeting expectations.

Audit methodology

1.40 The audit included an examination of the Australian and Northern Territory Governments’ program documentation, files and management

²⁹ The Joint Committee of Public Accounts and Audit in Report 419 recommended, among other things, that the Auditor-General’s mandate be extended to allow the Auditor-General, in certain circumstances, to audit the performance of recipients of Commonwealth funding. A Private Member’s Bill in support of this recommendation, *Auditor-General Amendment Bill 2011*, was introduced into the Parliament in early 2011.

systems. Interviews were also held with a wide range of stakeholders, including officers from FaHCSIA; DHLGRS; alliance partners; land councils; shire councils and housing reference group members (local community groups formed to support program implementation).

1.41 Seven remote communities were visited as part of the audit including Angurugu, Wadeye, Maningrida, Galiwin'ku, Alice Springs Town Camps, Amoonguna and Titjikala. These communities were selected following discussions with FaHCSIA and DHLGRS officers and analysis undertaken by the ANAO. This mix of communities included those where major capital works are being undertaken as well as refurbishment-only communities. Remoteness and a mixture of alliance communities was also considered in selecting communities to gain an appreciation of the difficulty of housing construction in remote and very remote areas where physical access is restricted, and to discuss and observe the different approaches taken by the two alliances.

1.42 The audit was conducted in accordance with the ANAO auditing standards at a cost of \$726 617.

Acknowledgments

1.43 The ANAO would like to express its appreciation to the management and staff of the Department of Families, Housing, Community Services and Indigenous Affairs and the Northern Territory Department of Housing, Local Government and Regional Services for their assistance in the conduct of this audit.

2. Program Management Arrangements

This chapter considers the effectiveness of the joint management arrangements that have been established to manage the program and the extent to which program management is supported by appropriate planning and monitoring arrangements

Introduction

2.1 In delivering programs and services to Indigenous people, the Australian Government has typically acted as a purchaser of services from governments at the state and territory level, community-based or not-for-profit organisations, contractors and local government. For example, under the Community Housing and Infrastructure Program (CHIP), which operated nationally until 2008, the Australian Government employed a combination of direct funding to states and territories, and funding to Indigenous community housing organisations and contractors to deliver housing and infrastructure services to remote Indigenous communities. Funding to the state and territory governments was often used by those governments, in turn, to purchase relevant services from contractors or community-based organisations.

2.2 The successor programs to CHIP in the Northern Territory essentially continued the model of the Australian Government purchasing services from the Northern Territory Government under various memoranda of understanding, as discussed in Chapter 1. There was some evolution of this model as a result of the development of national partnership agreements which sought to explicitly foster a collaborative partnership approach. Most current national partnership agreements follow a similar pattern of defining particular roles and responsibilities of the Australian Government on the one hand and those of the state and territory governments on the other. A third set of shared responsibilities is also usually a feature of national partnership agreements. Although the agreements are expressed in collaborative terms, an underlying feature is that the Australian Government remains a funding provider with the state and territory governments acting as service providers to their respective communities. This is true of the NPARIH which, at a national level, establishes the Australian Government as the funding provider and the state and territory governments as being responsible for implementation. With respect to the Northern Territory, however, the

management model has evolved further in response to specific circumstances, discussed below, with the effect that both the Australian Government and the Northern Territory Government now have implementation and funding roles in that jurisdiction.

2.3 The joint management arrangements, while only in place in the Northern Territory in this form, are consistent with some of the broader principles agreed by COAG for the design and delivery of programs and services for Indigenous people. Reflecting Australia's federal system, COAG has emphasised, among other principles, the importance of integration, noting that services and programs should '...be provided in an integrated and collaborative manner between all levels of governments and between services.'³⁰ The principles also highlight the importance of clearly articulating responsibilities between levels of government and that maintaining a centrally agreed strategic focus for a program should not inhibit the development of service delivery responses that reflect local contexts.

2.4 Governments can take different approaches to the way they design and establish overarching program management arrangements. However, there are some core elements that would be expected to exist in any program management framework. Better practice program and policy implementation indicates that these core elements would include clear governance arrangements and robust approaches to planning, risk and financial management and performance measurement. In this respect, a sound program management framework creates both the structure and practices to guide the program and provides senior-level leadership, oversight and control. Delivering a program that combines the funding, staffing resources and management practices of two governments can be expected to create additional challenges and demands in relation to overall management.

2.5 The joint program management arrangements that currently operate in the Northern Territory were put in place following the August 2009 review of the program, in order to increase the pace of construction and provide for better control of program costs. This chapter outlines the establishment of the joint management arrangements, the key structures for their operation, the extent that they reflect relevant COAG service delivery principles and whether

³⁰ *National Indigenous Reform Agreement, Service delivery principles for programs and services for Indigenous Australians*, 2008, pp. D-77 and D-78.

they provide the Australian Government with a clear picture of implementation across the whole program. The chapter also examines the management processes used in the program's administration.

Development of the joint management arrangements

2.6 In the initial stages of the NPARIH, the Northern Territory component was managed using the same arrangements that existed for the other jurisdictions. The high-level roles and responsibilities of the Northern Territory and Australian Governments, as set out in the NPARIH, are summarised in Table 2.1.

Table 2.1

Roles and responsibilities of parties to the NPARIH in the Northern Territory

Northern Territory Government	Australian Government	Shared responsibilities
Provision of housing in Indigenous communities. Provision of standardised tenancy management and support for all Indigenous housing in remote areas. Developing and implementing land tenure arrangements to facilitate effective asset management, essential services and economic development opportunities.	Funding for additional Indigenous housing and housing-related infrastructure. Funding for the provision of some municipal and essential services. Agreeing a process with each jurisdiction on the scope and timing for comprehensive audits of the state of municipal and essential services within relevant Indigenous communities.	Report back to COAG by December 2009 on a proposal for: <ul style="list-style-type: none"> - clearer roles and responsibilities and funding with respect to municipal services and ongoing maintenance of infrastructure and essential services in remote areas; - a timeframe for implementation of new arrangements and for these arrangements to be in place from 1 July 2012; - refining or further developing performance indicators and providing data to enable performance reporting and evaluation of outcomes of this Agreement; and - maintaining and developing national minimum data sets required to allow comparative reporting of jurisdictional service delivery effort.

Source: NPARIH November 2008.

2.7 The NPARIH states that the parties are committed to working together in an innovative and cooperative way and identifies that the responsibility for the delivery of the NPARIH outputs in the Northern Territory rests with the Northern Territory Government. However, there is an overarching responsibility for the Australian Government to retain accountability for the achievement of the objectives, outcomes and outputs, regardless of the delivery method or funded entity, where the funding originates from the

Australian Government. In this respect, the Australian Government was allocated several high-level roles under the NPARIH, including agreeing jurisdiction implementation plans and agreeing to the release of payments to the jurisdictions.

2.8 To undertake its program delivery role, the Northern Territory Government agreed to retain the alliance contracting arrangements that were in place under SIHIP and used the same building contractors who had been selected through the SIHIP tender process. As discussed in Chapter 1, following media coverage of the Northern Territory Government's administration of SIHIP, a joint government review was undertaken in mid-2009 to assess the progress of the program.

2.9 The August 2009 review found that the program had been slow to deliver housing, that there were unresolved leadership and capacity issues and that substantially greater involvement by the Australian and Northern Territory Governments was required, with stronger oversight at the day-to-day operational level in delivering the program. Community engagement and workforce development had also been devolved to contracted consultants and the review team considered that this should be a government responsibility. The lack of adequate control or oversight of community engagement led to high average costs for construction in the initial packages of works, which was not considered sustainable.³¹

2.10 The review team recommended the adoption of new governance structures that reflected the position of the Northern Territory Government and the Australian Government as 'jointly responsible, accountable and in direct control of program management and direction'.³² FaHCSIA advised the Senate Standing Committee on Community Affairs in October 2009 that revised governance arrangements had been put in place following the review to ensure that the program would achieve its then interim goal of constructing 750 new houses and providing 230 rebuilt houses and 2500 refurbished houses

³¹ Department of Families, Housing, Community Services and Indigenous Affairs, *Strategic Indigenous Housing and Infrastructure Program—Review of Program Performance*, Canberra, 2009, pp. 5–6.

³² *ibid.*, p. 32.

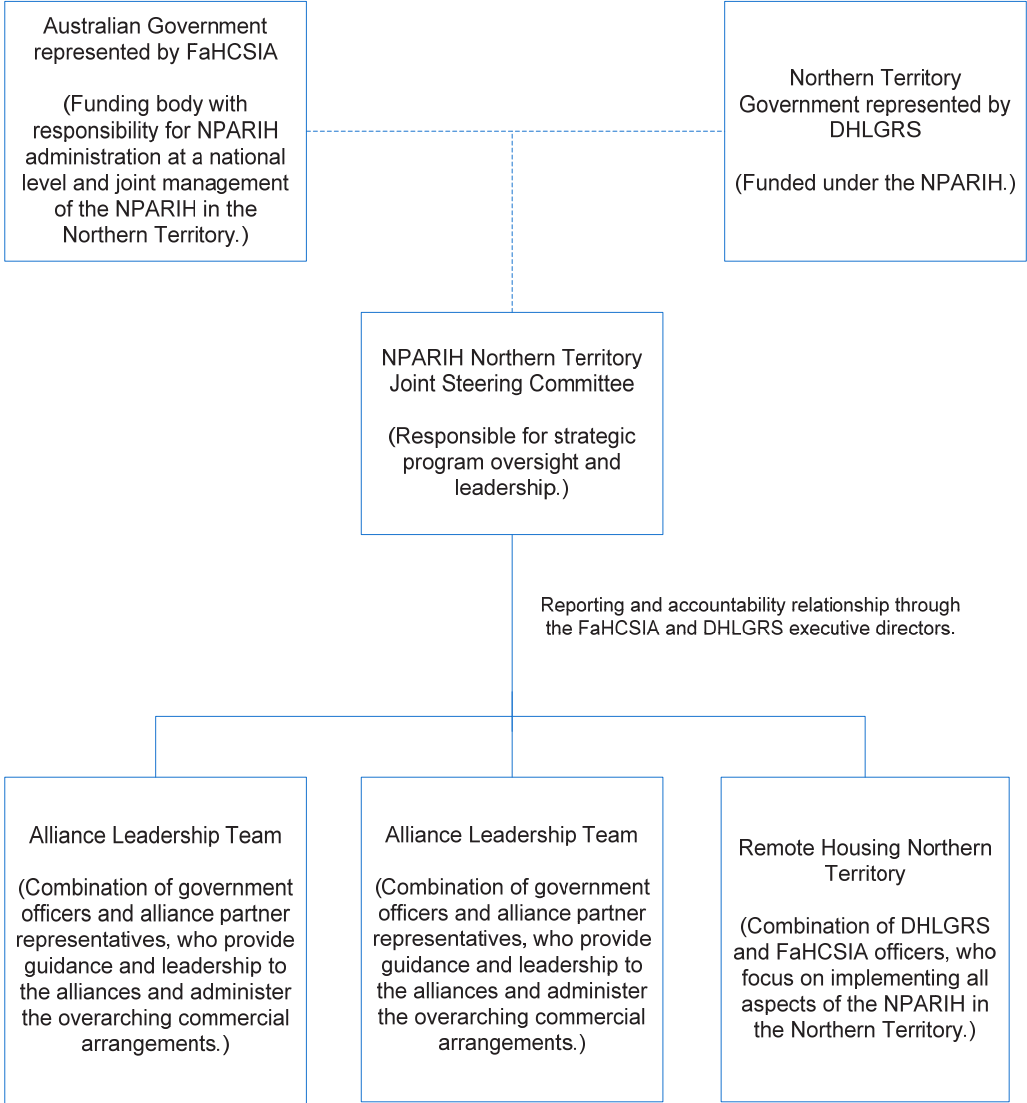
by the end of 2013.³³ These targets were the targets that had been agreed for SIHIP.

2.11 The Office of Remote Indigenous Housing, based in FaHCSIA's National Office, supports the overall implementation of the NPARIH across all jurisdictions and was formed to give greater focus to remote Indigenous housing. To give effect to the August 2009 review's recommendations, FaHCSIA formed a new branch which was based in Darwin. The branch is part of the Office of Remote Indigenous Housing and has 15 funded positions and an annual budget of approximately \$2 million. Additional support is provided by FaHCSIA's Land Reform and Indigenous Housing Delivery Branches, also part of the Office of Remote Indigenous Housing. In total around 20 FaHCSIA officers directly support the implementation of the NPARIH in the Northern Territory.

2.12 Importantly, the FaHCSIA branch based in the Northern Territory has been integrated into existing Northern Territory Government structures. Remote Housing Northern Territory (RHNT) is the principal Northern Territory Government body focusing on all aspects of NPARIH implementation in the Northern Territory and is made up of DHLGRS and FaHCSIA officers. The high-level program management structure that is now in place to support program delivery in the Northern Territory is presented in Figure 2.1.

³³ Commonwealth of Australia, *Official Committee Hansard, Senate Community Affairs Legislation Committee Estimates (Supplementary Budget Estimates)*, Canberra, Friday, 23 October 2009, pp. CA9–10.

Figure 2.1
Program management structure



Source: ANAO analysis of FaHCSIA information.

2.13 Until late 2009, FaHCSIA operated at arm’s-length during the implementation of the NPARIH in the Northern Territory. However, it now exercises considerable influence over how the program is implemented, as discussed in the following paragraphs. Table 2.2 presents in more detail the

current operational roles of the Australian and Northern Territory Governments and the responsible program delivery departments.

Table 2.2

Operational roles of the Australian and Northern Territory Governments

Process/decision	Arrangements in place
NPARIH implementation process in the Northern Territory	
Community engagement	Joint role shared between FaHCSIA and DHLGRS.
Approval of the program parameters, for cost, design and housing mix following the August 2009 review	Agreed by both the Australian and Northern Territory Governments.
Allocation of packages of works	Managed by the Joint Steering Committee, which is made up of FaHCSIA and DHLGRS officers.
Approving the package scoping reports and release of the package scoping proposals	Approved by the Joint Steering Committee.
Approving package return briefs	Submitted to and agreed by the responsible alliance leadership team, which may have senior FaHCSIA and/or DHLGRS officers as members.
Early works	Final approval rests with DHLGRS, following agreement by the responsible alliance leadership team and consideration by the Joint Steering Committee.
Approving package development reports	Final approval rests with DHLGRS, following agreement of the budget (target outturn cost) and scope of works by the responsible alliance leadership team and consideration by the Joint Steering Committee.
Quality assurance and asset handover	Undertaken by DHLGRS.
Approval of final package cost and pain or gain share	Negotiated through the responsible alliance leadership team with final approval by DHLGRS.
Property and tenancy management	Ongoing role of DHLGRS, but monitored by the Joint Steering Committee.

Source: ANAO analysis of FaHCSIA and DHLGRS information.

2.14 As discussed earlier, the Australian Government's initial role in the NPARIH in the Northern Territory focused on high-level matters such as approving annual implementation plans and payments against progress. This 'arm's-length' role has given way, under the joint management arrangements, to a much more operational role. As a result, the Australian Government has transitioned from what would have been described as an investor role under

alliance contracting methodology (the funding body aiming to achieve a high-level policy outcome) to that of an owner.

2.15 Moving to this level of involvement has increased the Australian Government's visibility over all elements of NPARIH implementation in the Northern Territory. For example, a key aspect of the implementation of the capital works program is the approval of packages of works. These approvals finalise the scope of works included in a package and, importantly, the direct and indirect costs, including the overheads and fee to be paid to alliance partners under the respective packages. The Northern Territory Government is the actual contracting entity and therefore has responsibility for the final approval of packages, however, the Australian Government, through FaHCSIA's membership on the Joint Steering Committee and senior management role within the program, is closely involved in negotiating and agreeing to the terms and conditions of packages.

2.16 The development of joint management arrangements can be seen as a positive step from the perspective of the Australian Government, in that the arrangements have increased the delivery capacity of the program. The joint management arrangements have also served to increase FaHCSIA's direct engagement in a range of delivery matters of the program. FaHCSIA advised the ANAO that some of the benefits of this greater engagement include increased visibility of progress, and matters affecting progress, as well as having greater opportunity to deal with emerging issues in a quicker and more collaborative manner than previously.

2.17 As part of agreeing to the National Indigenous Reform Agreement in 2008, COAG endorsed a revised set of 'service delivery principles for programs and services for Indigenous Australians.' There are six key principles supported by a range of sub-principles. These are presented in more detail in Appendix 5. Of particular relevance to the consideration of program management arrangements is the 'integration principle', which emphasises that effective collaboration between levels of government is critical for improving service delivery. In particular, the integration principle indicates specific attention needs to be given to 'articulating responsibilities between all levels of government' and 'ensuring services and programs are provided in an integrated and collaborative manner both between all levels of government and between services.' The joint management arrangements developed following the program's review in August 2009 have given good effect to the

overall intent of the integration principle and form a practical basis for the two governments to work collaboratively.

2.18 In relation to articulating the responsibilities between governments, some improvements could be made. At the level of the overall NPARIH, the respective roles of the Australian and Northern Territory Governments are clear; essentially these indicate a primary role for the Australian Government in providing funding and a primary role for the Northern Territory Government in delivering the program. Under the revised arrangements, which came into effect during the second year of operation of the NPARIH, this distinction is no longer as clear. The August 2009 review assigned both governments an equal responsibility and accountability in the delivery of the program³⁴; an allocation which represents a significant change to arrangements agreed by COAG for the NPARIH. No further articulation of operational roles has been reflected in formal program management documentation, such as the Northern Territory implementation plan. There has also been no stipulation of how long the joint arrangements are expected to remain in place, or under what conditions they would no longer be considered necessary. In terms of overall accountability for results, both FaHCSIA and DHLGRS agree there is a shared responsibility in place.

2.19 FaHCSIA's more direct involvement in the NPARIH in the Northern Territory was initially designed to assist the Northern Territory Government in achieving its interim targets. While progress in housing-related activity has increased sharply since 2009, the next two years still require significant activity to meet the remaining interim targets, which fall due in June 2013. In this respect, there is a case to maintain the current level of Australian Government involvement. However, there would also be merit in FaHCSIA identifying the conditions under which the department could reduce its participation in the day-to-day management of the program, while still maintaining a strategic oversight role through the Joint Steering Committee.

³⁴ The August 2009 review stated that implementation of the new governance structure was designed to reflect the position of the Northern Territory and Australian Governments as 'jointly responsible, accountable and in direct control of program management and direction'. The review also referred to both governments as program owners.

Recommendation No.1

2.20 To support a clear understanding of the operational role of FaHCSIA in the remaining implementation of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA articulates its role and responsibilities in relation to program implementation and delivery, and identifies the conditions which, when achieved, would support a reduction in its existing level of operational support.

FaHCSIA's response

2.21 Agreed. FaHCSIA agrees with the recommendation and will take appropriate steps to further clarify the roles and responsibilities of its officers working in joint management with the Northern Territory Government for the delivery of the NPARIH.

DHLGRS' response

2.22 Agreed. A massive step-change in existing remote housing functionality across the Territory and new housing and infrastructure in the largest remote Indigenous communities has occurred as a result of the current program delivery model.

2.23 It is agreed, given the stage the program is now at, that it is timely for my Department and FaHCSIA to again review the roles and responsibilities of both jurisdictions in the delivery of the program and discuss possible conditions, that when achieved, would support a reduction in current operational support provided by FaHCSIA.

Management framework

2.24 Effective program management rests on the existence and use of a set of key management processes covering planning, risk and financial management and performance monitoring. In a typical arrangement, it would be expected that these processes would be in place and would be the responsibility of the implementing agency. In the case of the NPARIH in the Northern Territory, FaHCSIA officers have been embedded into the Northern Territory DHLGRS program management structure and joint management processes have been developed.

2.25 It is appropriate when developing program management arrangements to avoid adding red tape through, for example, developing duplicate systems each owned by the different stakeholders. However, it is equally important

that jointly developed or adopted systems are sufficient to meet the needs of both parties. The ANAO examined the major management processes that underpin the joint management arrangements to consider the extent to which they are appropriate from the perspective of the Australian Government.

Implementation planning

2.26 Major capital works or infrastructure programs are generally supported by master plans and schedules which provide for planning and resource allocation across the whole program. These plans would be expected to be in place from the very early stages of a program's implementation so as to provide effective guidance from a program's commencement. Capital works under the NPARIH in the Northern Territory are delivered in what are known as packages. These packages can comprise a combination of infrastructure, new houses, and houses to be rebuilt or refurbished in a single community or group of communities. In effect, the packages form individual contracts which are discrete from one another but which ultimately aggregate into the total program.

2.27 In general terms, national partnership agreements have taken a structured approach to planning, stipulating the development of a range of planning documents that operate at different levels. In the case of the NPARIH, all state and territory jurisdictions are required to develop, jointly with FaHCSIA, bilateral implementation plans. These plans are meant to cover governance arrangements, reporting requirements, performance targets, payment schedules, and milestones. The implementation plans are agreed by the Australian Government's Minister for Families, Housing, Community Services and Indigenous Affairs. In addition to jointly developing the plans, FaHCSIA provides advice on the plans to the Minister as part of the approval process.

2.28 Following the signing of the NPARIH in November 2008, the first Northern Territory implementation plan was agreed in March 2009. The implementation plan meets most of the requirements specified in the NPARIH, although, as discussed earlier, the joint management arrangements are yet to be reflected in the implementation plan's description of the governance arrangements.

2.29 Undertaking an annual review of the jurisdictional implementation plans is a requirement of the NPARIH, with the first review to have occurred no later than 31 July 2010. The stated purpose of the reviews is 'to ensure that

the implementation plans remain both effective and relevant in delivering policy objectives and agreed milestones and targets under the National Partnership'.³⁵ In the case of the Northern Territory, agreement was reached that the due date for the first annual review would be moved to 31 December 2010. Underlying this decision was recognition of the fact that progress in the Northern Territory had been examined in the August 2009 review and the housing-related targets for the Northern Territory had been accelerated.³⁶

2.30 The annual review of the Northern Territory implementation plan was not finalised, but work in progress drafts were provided to the ANAO. FaCHSIA informed the ANAO in October 2011 that the revised implementation plan has been agreed at officer level and is expected to be finalised in October 2011. Key changes reflected in the drafts provided to the ANAO include: acceleration of the program targets to reflect their expected early achievement, and amendment of the payment schedule to align expected cash flow requirements with the agreed acceleration of funding to the Northern Territory. The draft plans did not indicate any changes to the existing governance arrangements; but given the significance of the changed arrangements, it would be appropriate for these to be reflected in a revised implementation plan.

Sub-plans required under the NPARIH implementation plans

2.31 As the implementation plan is a high-level document, the NPARIH specifies that implementation plans are to be supported by a series of operational sub-plans relating to core areas such as capital works, quality assurance, property and tenancy management, community engagement and employment. The sub-plans were to be formulated following the development of the jurisdictional implementation plans, and FaHCSIA confirmed to the Senate Estimates Committee for Community Affairs in October 2009 that, at that stage, each jurisdiction had produced the required sub-plans.³⁷

³⁵ National Partnership Agreement on Remote Indigenous Housing (National Partnership) Annual Review of Implementation Plan 2010, Northern Territory, p. 1.

³⁶ The accelerated NPARIH targets are discussed in more detail in paragraph 1.20 and 1.21.

³⁷ Commonwealth of Australia, *Official Committee Hansard, Senate Community Affairs Legislation Committee Estimates (Supplementary Budget Estimates)*, Canberra, Friday, 23 October 2009, p. CA18.

2.32 The sub-plans cover significant elements of program implementation, and during audit fieldwork the ANAO requested copies of all sub-plans for the Northern Territory to assess the extent that the plans provided appropriate implementation guidance. The draft sub-plan for property and tenancy management was available, but the other plans were not provided. However, FaHCSIA subsequently advised, in July 2011, that the property and tenancy management, employment and workforce development and communications and community engagement sub-plans had been developed in 2008 and 2009, prior to the intergovernmental review of the program. The sub-plans were subsequently revised and submitted to the Joint Steering Committee for approval, between December 2010 and February 2011. The revised plans cover a three-year period and focus on key issues to be addressed in each area, and are designed to assist program management in allocating resources to support effective program implementation.

2.33 Capital works are the most significant item of expenditure under the program and are the area of highest risk. A capital works sub-plan, however, has not been developed and instead the program has relied on a collection of documents, in particular the individual package development reports, to guide overall program planning. For a program of this size a master plan and schedule would be key program management and governance tools that should have been in place from an early stage.

2.34 DHLGRS has since taken steps to develop a master plan. DHLGRS recruited additional staff in late 2010 to develop a master schedule for the program and FaHCSIA commissioned a consultant to provide planning and scoping services for a Program Master Plan for the ongoing implementation of the NPARIH. FaHCSIA expects the plan to be in place by October 2011.

Management information systems

2.35 Budget and financial management is a fundamental component of effective program management which enables accurate tracking of expenditure and progress. An overarching budget and delivery control framework was endorsed by the Joint Steering Committee and put in place in November 2010, nearly two years after the program formally commenced. The framework was developed to enable FaHCSIA and DHLGRS to better manage the annual budget within the funding available from both the Australian and Northern Territory Governments. The framework is focused at a whole-of-program level and tracks forecast expenditure and progress against actual expenditure to

date and progress against the agreed targets, with the aim of 'improv[ing] the visibility of key information, such as cost overruns, as well as streamlining the production of monthly reports'.³⁸ Prior to the framework being implemented, the budget position of the program was managed in a less systematic manner, with detailed advice or submissions provided to the Joint Steering Committee on an 'as required' basis. A key component of the budget and delivery control framework is the development of monthly and annual forecasts that match the available funding to expected program progress. The framework is, in itself, not a tool for managing individual package costs, but any variations to packages have to be assessed against the program's budgets and targets before any package variations can be agreed to by the Joint Steering Committee.

2.36 The slow development of systematic and standardised approaches to budget management limits the ability of program management to readily obtain an accurate picture of progress. In accessing financial information relating to the program, the ANAO experienced delays in the provision of information and much of the information provided had to be manually prepared. Financial information in relation to individual packages of works was available, however, the different alliances have adopted different reporting formats and information is not provided to DHLGRS in a consistent format or supported by standard heading, categories and data definitions. As a result, program managers had limited opportunity to readily compare costs across the packages allocated to the different alliances.

2.37 In addition to tracking financial data, management information systems should also be able to provide information on the performance of key implementation activities to enable program managers to understand the efficiency of various activities. In considering program implementation, the ANAO sought to analyse the elapsed time of key implementation activities, such as the development and approval of package development reports. The package development reports are a significant activity that determines the scope and cost of housing works to be undertaken in a community and need to be approved before major works can commence. Provision of a complete and accurate data set was not possible due to a lack of standardised reporting and document version control, and inadequacies in record keeping.

³⁸ Remote Housing Northern Territory, Joint Steering Committee submission, Agenda Item No. 2.2.1—Budget and Delivery Control Framework, p. 2.

2.38 FaHCSIA and DHLGRS identified the need to develop standardised reporting to improve the visibility of key information and streamline the production of monthly reports. In addition to developing a budget and delivery control framework, a consultant was engaged in April 2011 to review and strengthen the existing budget controls, and further develop financial planning, forecasting and reporting.

Risk management framework

2.39 Risk management is a fundamental aspect of better practice program management.³⁹ It should assist with the identification and management of risks that impact on a program's ability to achieve its objectives. The Australian and New Zealand Risk Management Standard AS/NZS 31000:2009 recommends that risk management processes be integrated into overall governance, strategy, planning and management, reporting, policies, values and culture. The ANAO examined the program's risk management arrangements to ascertain if strategies were in place to identify, assess and manage program-level risks and whether risk management was an integral part of the program's management arrangements.

2.40 A strategic business risk assessment was undertaken for the program in 2009, prior to the August 2009 review. The assessment identified a number of risks, and outlined some risk treatment strategies and accountabilities. The August 2009 review resulted in some fundamental changes to the program's scope in terms of housing mix, delivery approaches and collaboration, which were identified as key risks prior to the review. Despite the significant changes brought about by the review, which could be expected to have altered some of the key strategic risks, at the time of audit fieldwork in late 2010, the strategic business risk assessment had not been updated. The need to do so was recognised in a paper provided to the Joint Steering Committee in May 2010 recommending:

That the JSC endorse a revision of the existing draft Risk Management Framework with a view to using this as the basis for finalising a current Risk Management Framework and Risk Register for RHNT.⁴⁰

³⁹ Department of Prime Minister and Cabinet, and ANAO, *Better Practice Guide—Implementation of Programme and Policy Initiatives, Making Implementation Better*, October 2006, pp. 17–22.

⁴⁰ Remote Housing Northern Territory, Joint Steering Committee, Agenda Item No. 4.6 Risk Register, Meeting No. 21, 20 May 2010.

2.41 The Joint Steering Committee minutes indicated that consideration of the agenda item was deferred to the next meeting, but it was not subsequently considered. At the time of audit fieldwork in late 2010, there was no documented approach to managing risk within the program and the operational approach to managing risk was reactive and short-term, with the deployment of resources to actively manage the risks once they had begun to materialise.

2.42 Improvements to risk management began to be made in late 2010 when an issues register was developed and implemented as a ‘means of recording, monitoring and resolving issues as they arise across the program’.⁴¹ The guide to the issues register states that ‘It is not intended to be a catalogue of issues but to enable transparency in the management and resolution of issues’.⁴² The issues register was also serving as a risk register, but is limited in its scope as it ‘does not assess the type of risk, propose strategies to address this risk or apply and monitor suitable treatment strategies’.⁴³ In addition to the issues register, RHNT also developed a risk tracker to monitor the effectiveness of risk and issue mitigation strategies. It was designed to complement the existing issues register and is expected to support the Joint Steering Committee in managing program implementation.⁴⁴

2.43 These two developments were followed by the endorsement of Risk Management Guidelines, which were issued in April 2011. These guidelines now place risk management on a firmer footing within the program but, as was the case with other management information and planning systems, the achievement of a more systematic approach to risk management has occurred some time after the program commenced. For a program that is acknowledged as a high-risk program, earlier development of these systems would have been warranted.

⁴¹ Remote Housing Northern Territory, Guide to using the issues register, 31 October 2010.

⁴² *ibid.*

⁴³ *ibid.*

⁴⁴ Remote Housing Northern Territory, Joint Steering Committee, Agenda Item No. 2.2.2 JSC Risk Tracker Template, Meeting No. 29, 4 November 2010.

Monitoring and measuring performance

2.44 Understanding performance is a key aspect of sound program management which enables program managers to monitor and report progress to internal and external stakeholders. Ideally developed in the early stages of a program's implementation, a robust performance framework would include: a balanced set of performance indicators that are relevant and measureable; baseline information against which to compare performance or change; and performance targets that challenge the program to maximise its outputs and outcomes. The performance framework should also show a close alignment between the indicators selected for monitoring and the overall objectives of the program.

2.45 The NPARIH is being delivered nationally with objectives, outputs and performance indicators developed for the NPARIH as a whole. While for implementation purposes each jurisdiction stands alone, there should be close alignment between the overall performance framework and that of each jurisdiction. The ANAO examined the performance indicators established in the Northern Territory implementation plan to assess the extent that they align with the performance indicators established for the overall NPARIH and enable reasonable judgements to be made about progress.

Performance indicators

2.46 Measuring performance against well-developed performance indicators provides reliable information for analysis, decision-making and allows the agency to fulfil its accountability requirements. Better practice suggests that performance indicators should be: specific; measurable; achievable; relevant; and timely.⁴⁵ To provide the overall context within which performance in the Northern Territory needs to be considered, Table 2.3 displays the key expected outcomes, objectives, outputs and performance indicators for the NPARIH at a national level.

⁴⁵ Australian National Audit Office, *Better Practice Guide—Performance Information in Portfolio Budget Statements*, May 2002, Canberra.

Table 2.3**Relationship between the NPARIH outcomes, objectives, key outputs and associated performance indicators**

Outcomes: Indigenous people have improved amenity and reduced overcrowding, particularly in remote and discrete communities.		
Objectives	Outputs	Performance Indicators
Significantly reducing severe overcrowding in remote Indigenous communities.	<ul style="list-style-type: none"> Supply of safe and adequate housing that will contribute to improved living standards for Indigenous people in remote communities. Construction of new houses and ongoing repair and maintenance of houses in remote Indigenous communities. 	<ul style="list-style-type: none"> Average occupancy rate. The incidence of homelessness. Number and percentage of dwellings that are overcrowded by state and territory based on the Australian Bureau of Statistics definition (currently Canadian National Occupancy Standard - CNOS).
Increasing the supply of new houses and improving the condition of existing houses in remote Indigenous communities.	<ul style="list-style-type: none"> Supply of safe and adequate housing that will contribute to improved living standards for Indigenous people in remote communities. Construction of new houses and ongoing repair and maintenance of houses in remote Indigenous communities. Upgraded housing and housing-related infrastructure in town camps where appropriate. Progressive resolution of land tenure on remote community-titled land in order to secure government and commercial investment, economic development opportunities and home ownership possibilities in economically sustainable communities. 	<ul style="list-style-type: none"> Number of new dwellings constructed. Number of dwellings replaced or significantly upgraded. Total number of dwellings. Number of communities and dwellings (including town camps) covered by normalised service level standards and delivery arrangements for essential and municipal services. Number of permanent dwellings with working connections to the full range of housing-related infrastructure (power, water, sewage). Number of communities (including town camps) connected to essential services (power, water, sewerage).

Outcomes:		
Indigenous people have improved amenity and reduced overcrowding, particularly in remote and discrete communities.		
Objectives	Outputs	Performance Indicators
Ensuring that rental houses are well maintained and managed in remote Indigenous communities.	<ul style="list-style-type: none"> • Robust and standardised tenancy management of all remote Indigenous housing that ensures rent collection, asset protection and governance arrangements consistent with public housing standards. • A program of ongoing maintenance and repairs that progressively increases the life-cycle of remote Indigenous housing from seven years to a public housing-like lifecycle of up to 30 years. 	<ul style="list-style-type: none"> • Number of households covered by tenancy management arrangements overseen by state or territory governments. • Number of dwellings inspected through a standard property inspection regime. • Number of dwelling repairs and maintenance works completed as programmed using property condition data. • Average time taken to complete identified repairs and maintenance.
No stated objective.	<ul style="list-style-type: none"> • Increased employment opportunities for local residents in remote Indigenous communities. 	<ul style="list-style-type: none"> • Number of local housing-related jobs created for Indigenous people.

Source: NPARIH—November 2008.

Performance targets in the Northern Territory

2.47 As the implementation of the NPARIH in the Northern Territory is designed to contribute to the national objectives of the NPARIH, there should be close alignment between the specific performance targets for the Northern Territory and the performance indicators established for the NPARIH. This alignment would enable FaHCSIA to ensure that sufficient focus is being given by jurisdictions to the overall national objectives of the NPARIH, while at the same time allowing for local variation.

2.48 Overall, there is good alignment between the NPARIH performance indicators and the baseline measures and benchmarks established in the Northern Territory implementation plan. While there are some gaps in relation to targets for overcrowding and community infrastructure, the remaining targets allow for an appropriate level of performance measurement to be made. Data to support an assessment of changes in overcrowding and housing amenity is already being collected through existing management and reporting systems. It would be appropriate for FaHCSIA, in jointly developing the next implementation plan, to include additional performance targets that complete the framework established by the baseline measures and benchmarks.

2.49 A further aspect of the performance targets which will need to be addressed is the establishment of annual targets for the period after 2012–13. While it is often the case in multi-year programs that developing realistic performance targets for the later years of the program is difficult, there is sufficient clarity within the current NPARIH arrangements to enable targets to be set through to 2017–18. Firstly, overall targets already exist to construct 1456 new houses and repair or refurbish 2915 houses. Under the current implementation plan, all of the repairs and refurbishments are planned to be completed by 2012–13 along with 934 new houses. In addition, the key tenancy reforms are also planned to be in place before 2012–13. As a result, if these targets are met, agreement would only need to be reached on the scheduling of the remaining 522 new houses.

2.50 The NPARIH involves six Australian jurisdictions and a competitive bids process exists to adjust funding levels to each jurisdiction based on performance. The competitive bids process, which operates on a biennial basis, requires FaHCSIA to maintain a level of flexibility in terms of locking in annual targets in each jurisdiction. It would be possible within this process to agree notional annual targets or to roll the implementation plan targets forward by a year at the time of each annual review. This would better support the monitoring of progress towards achievement of the overall NPARIH objectives, and assist program management in identifying whether the program is well positioned to achieve these within the available funding and timeframe. Identifying targets over the budget forward estimates period, to as great an extent as possible, would provide increased certainty in respect to program cash flows and assist both departments to manage community expectations about the future rollout of the program.

2.51 Research has shown that inadequate housing has a negative impact across several areas and that crowded living conditions facilitate the spread of a number of common infectious diseases with recurrent and chronic infections contributing more generally to poor growth and development.⁴⁶ While the NPARIH does not directly contribute to the health building block, under the National Indigenous Reform Agreement, improvement in housing can have consequential benefits in respect of health, education and employment.

⁴⁶ Bailie RS and Wayte KJ, 'Housing and health in Indigenous communities: Key issues for housing and health improvement in remote Aboriginal and Torres Strait Islander communities', *Australian Journal of Rural Health*, vol. 14, 2006, pp. 178–183.

Accordingly, there is an opportunity for FaHCSIA to further develop the NPARIH performance indicators and targets, to focus on some of the indirect benefits arising from improved housing and the level of housing amenity. This would strengthen the department's ability to advise government on the contribution that this significant investment is making to Closing the Gap.

Performance reporting arrangements

2.52 Reporting program progress on a regular basis is an important element of stakeholder engagement for both internal and external stakeholders. In terms of internal reporting, a comprehensive set of reporting arrangements has been developed. These include:

- fortnightly rolling briefs to program management and the Minister for Families, Housing, Community Services and Indigenous Affairs as required, providing an overview of progress against the capital works targets and emerging issues;
- monthly progress reports to the Joint Steering Committee describing progress against capital works and property and tenancy management activities;
- monthly reports provided to FaHCSIA under the national reporting framework that measure progress against key milestones and support the release of payments under the NPARIH to the Northern Territory; and
- annual implementation plan status reports which outline progress against the performance indicators detailed in the Northern Territory implementation plan.

2.53 This set of reporting arrangements is sufficiently comprehensive to provide the Australian Government with an appropriate level of visibility over program performance and emerging issues, although the coverage of financial performance is more limited. It is also relatively resource-intensive, mainly due to the weaknesses in the management information systems mentioned earlier. The improvements that are starting to be made in those arrangements are likely to lead to greater efficiencies in the internal reporting process, but there is also a need to develop a greater focus on program outcomes, in particular the impact the program is having on reducing overcrowding and improving the amenity of houses.

2.54 FaHCSIA reports externally to the Parliament and community through its annual reports and information published on its website. Information reported about the NPARIH largely relates to progress against the key output targets, the number of new houses constructed, the number of houses rebuilt and refurbished and Indigenous employment participation rates. Limited financial information is reported.

2.55 FaHCSIA has an overarching responsibility for the administration of the NPARIH, but the Department of Treasury holds the appropriation and is responsible for payments to the jurisdictions. Information relating to payments made under national partnership agreements is publicly reported in the Final Budget Outcome of the relevant financial year.

2.56 As a result of the program's slow start and the need to focus on improving the pace of housing construction, performance measurement arrangements to date have given a stronger emphasis to reporting progress against the program deliverables. With the program now having been in place for nearly three years, and with activity accelerating, it would be timely for FaHCSIA to enhance its public reporting by not only reporting program outputs, but also progress towards the achievement of the overall NPARIH objectives and outcomes, and the associated program costs.

Recommendation No.2

2.57 To inform the Australian Parliament of progress towards the outcomes and objectives of the NPARIH, the ANAO recommends that FaHCSIA develops and reports publicly on an intermediate set of relevant outcome-based performance indicators, in addition to the current reporting on program outputs.

FaHCSIA's response

2.58 Agreed. FaHCSIA agrees with the recommendation. The Department notes, however, that the NPARIH sits within the framework of the Intergovernmental Agreement on Federal Financial Relations. The agreement to an intermediate set of relevant outcome based performance indicators would need to be consistent with this Agreement and would require the Agreement of the Northern Territory Government. They would also need to be agreed with the other jurisdictions who are a party to NPARIH before they could be measured and reported on nationally.

DHLGRS' response

2.59 Supported. Additional reporting on an intermediate set of relevant outcome-based performance indicators is supported.

2.60 My Department reports regularly to the Parliamentary Committee - The Council of Territory Cooperation on various aspects of performance, ensures monthly updates on construction progress are reported broadly on my department's website and reports annually in Budget Papers and the Department's Annual Report achievement against key performance deliverables in Remote Housing.

2.61 The extension of the available public data to other aspects of performance under NPARIH in the Territory, including the remote housing management reforms would need to be considered in the context of the joint management arrangements currently in place with the Australian Government. Given that the NPARIH is a national agreement, the Australian Government would need to consider the cross jurisdictional consistency related to relevant outcomes based performance indicators that all jurisdictions involved in the NPARIH would be required to report on. My department would be pleased to participate in this regard with the Commonwealth to ensure more information about the outcomes achieved under the NPARIH is more publicly available.

Conclusion

2.62 The delivery of Indigenous programs generally requires the Australian Government to work with state and territory governments. Improving collaboration and integration between the different levels of government, and their services, has been highlighted as a priority by COAG in the National Indigenous Reform Agreement. National partnership agreements, as the key delivery mechanisms of the National Indigenous Reform Agreement and other reform agreements, were designed to promote collaboration and encourage a shared accountability for outcomes between the different governments involved. At the same time, the design of the agreements has largely maintained the Australian Government's position as a funder of programs and services that are to be delivered by the state and territory governments. These roles are clearly articulated at a high-level in the NPARIH for all jurisdictions, and applied during the initial stages of implementation in the Northern Territory. However, the subsequent development of joint management

arrangements led to responsibility for program delivery, and the overall accountability for results, being shared between FaHCSIA and DHLGRS.

2.63 The joint arrangements have given the Australian Government greater visibility over key implementation issues and progress being achieved in all elements of the NPARIH in the Northern Territory. FaHCSIA officers have been embedded within the program management structure of the responsible Northern Territory Government department and, as a result, the Australian Government has ready access to detailed program and package information. This has assisted with managing program progress and risks, influencing outcomes, and strengthening collaboration between the responsible government departments at operational and senior management levels. The joint management arrangements also help to promote a shared understanding and agreement of program objectives and expected outputs. As a result, the arrangements in the Northern Territory, while atypical, can be considered to be a positive approach to integration as they provide a sound base for practical collaboration between jurisdictions, and assist in overcoming many of the boundary issues which can arise in interjurisdictional partnerships.

2.64 Nevertheless, such joint arrangements can lead to a blurring of responsibilities and accountabilities for program management, particularly when, as is the case for NPARIH, the respective roles and responsibilities of the administering departments have not been formally specified at the operational level. Given that the joint management arrangements are a significant change from the high-level allocation of roles and responsibilities under the NPARIH and those generally applying to Australian, state and territory government arrangements, it would be appropriate for the revised program management arrangements to be formally articulated, so that there is concurrence with respect to the management responsibilities and accountabilities of both parties.

2.65 The Northern Territory NPARIH implementation plan, which is agreed by both governments and is to be reviewed annually, is required to outline the governance arrangements in place for the program. The most current agreed version of this plan dates from March 2009 and pre-dates the implementation of the joint management arrangements. The annual review of the plan, while commenced, is overdue for finalisation. FaHCSIA informed the ANAO in October 2011 that the revised implementation plan has been agreed at officer level and is expected to be finalised in October 2011. The drafts of the annual review and subsequent implementation plans provided to the ANAO do not

reflect the changed role of the Australian Government or operation of the joint management arrangements.

2.66 An important aspect of collaborative implementation is the need to avoid adding to administrative burdens by developing duplicate management systems. Instead, attention should be paid to the early development of joint systems or the modification of existing systems so that they meet the management needs of both administering departments. Implementation of the NPARIH in the Northern Territory formally commenced in March 2009. The development of key management processes and information systems to effectively support program management has been slow; at the time of audit fieldwork during late 2010, an up-to-date master plan or schedule, documented approach to managing risks for the program, or an overarching financial management control framework did not exist.

2.67 Development of a more systematic approach to the monitoring, reporting and management of the program's budget and financial information was needed for the longer-term sustainability of the program and to enable the Australian Government, as the main funder, to assure itself that the desired progress was being achieved within the agreed costs. Greater attention began to be paid to improving the planning and management systems from late 2010 and improved program management systems and processes are now being progressively developed and implemented. By early 2011, frameworks for risk management, budget and delivery control had been implemented, and work was underway to develop a master plan and schedule for the program. These initiatives, while delayed, will serve to strengthen the joint management of the program.

3. Program Implementation Arrangements

This chapter describes the program implementation process and in particular the approaches taken by FaHCSIA to jointly manage the implementation of the capital works component of the program.

Introduction

3.1 Over the 10 years of the NPARIH, the Australian Government is providing funding of \$1.7 billion, of which \$1.2 billion is to be invested in improving remote Indigenous housing and related infrastructure. When combined with funding from the Northern Territory Government and other Australian Government programs, approximately \$1.5 billion is to be invested directly in housing and related works.

3.2 As noted in the previous chapter, joint working arrangements have been developed which involve FaHCSIA and DHLGRS. In the main, DHLGRS' existing management processes pertaining to the housing implementation aspects of the program have been maintained, but in some areas, such as risk and financial management, additional processes have been developed.

3.3 Typical of any major project, the three largest risks to the successful achievement of the NPARIH in the Northern Territory are the management of the program scope, delivery of the project within budget, and the achievement of high quality outputs. FaHCSIA, as both a program funder and co-owner, has had to position itself to provide assurance to the Australian Government that the key management processes in place are sufficient to enable the effective implementation of the program, and provide sufficient management oversight.

3.4 Following a description of the main steps in the package approval process, this chapter then considers:

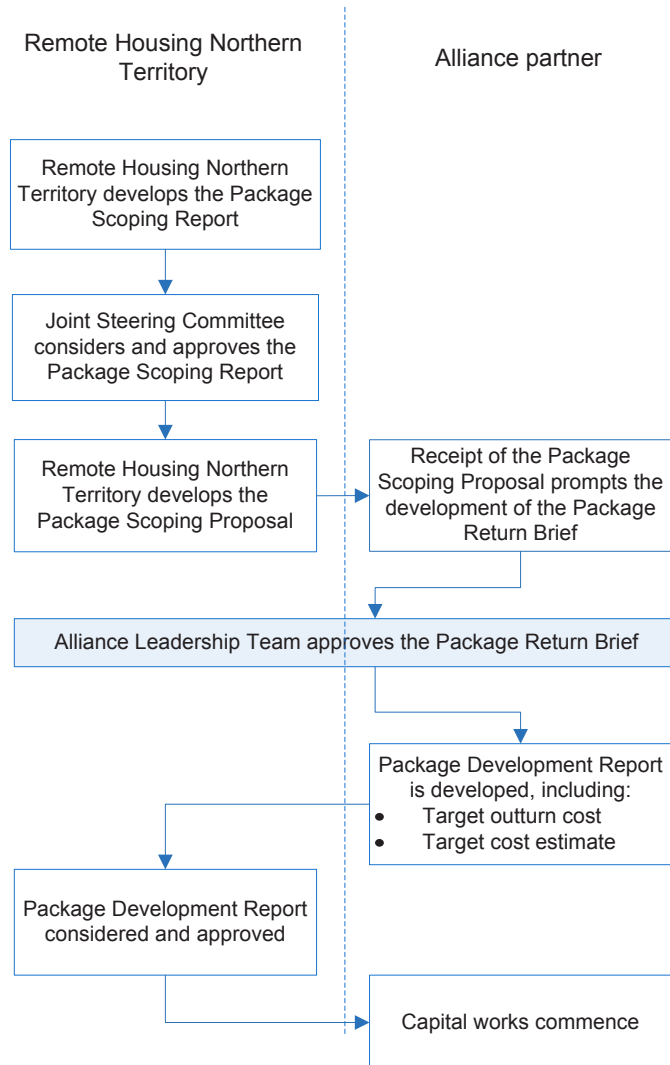
- the cost of housing construction in the Northern Territory under the program;
- the quality assurance processes established to provide assurance that that the housing construction works delivered under the program comply with the program's design requirements and relevant codes and standards; and

- future funding requirements for the delivery of the program, and the budget and financial management arrangements that FaHCSIA relies upon in jointly managing program and package level costs.

Developing and approving packages of works

3.5 One of the early steps in program implementation is developing packages of works, which are to be delivered by the alliances. During the early stages of program implementation, program management has focused its attention on the delivery of the primary program outputs. The program is delivered as packages that can include a combination of new, rebuilt and refurbished houses and related civil works. The process of allocating, reviewing, negotiating and approving packages is fundamental to the success of the program. Accordingly, to achieve the program targets, and maximise efficiencies and economies of scale, the allocation and approval of packages needs to be effectively managed.

3.6 At various points throughout the package development and approval process, both FaHCSIA and DHLGRS are extensively involved through their representation on the Joint Steering Committee and the alliance leadership teams. The following section summarises the key steps in package development and approval, and discusses the administrative effectiveness of some aspects. An overview of the process is presented in Figure 3.1.

Figure 3.1**Package development and approval process**

Source: ANAO analysis of FaHCSIA information.

3.7 The release or allocation of packages to the alliances has been managed by the Joint Steering Committee. In its deliberations, the Joint Steering Committee has considered issues such as: logistics; geographic synergies and ability of the alliance to sequence work; performance and capacity of the alliances; ability to meet previous commitments made to communities; and whether secure land tenure arrangements are in place. As at 30 June 2011, 10

packages of works had been allocated to the alliances. These packages have a combined value of \$560.5 million for housing-related works. Table 3.1 outlines the value of packages by community, and the expected housing outputs.

Table 3.1

Allocated packages of works and expected outputs as at 30 June 2011

Community or package	Budget (millions)	New houses	Rebuilt houses	Refurbished houses
Alice Springs Town Camps	\$65.6	85	101	33
Galiwinku	\$52.8	90	22	52
Groote Eylandt	\$65.3	80	42	65
Gunbalanya	\$39.2	62	10	88
Maningrida	\$68.9	110	40	110
Ngukkur	\$45.0	53	26	280
Southern Region Refurbishments	\$56.8	–	–	708
Tennant Creek Town Camps	\$14.6	2	78	–
Tiwi islands	\$85.3	90	123	71
Wadeye	\$67.0	105	28	124
Total allocated	\$560.5	677	470	1531
Target 2012–13	–	934	415	2500

Source: FaHCSIA-Joint Steering Committee papers.

Approving packages of works

3.8 Approval of the package development report is the key process which triggers the commencement of major construction works within a community. As represented in Figure 3.1, this process is preceded by the development of a package scoping report, proposal and return brief.

3.9 The package scoping report is effectively an approval document to support the allocation of a package to an alliance. Following approval by the Joint Steering Committee, a package scoping proposal is provided to the alliance. The package scoping proposal details a range of information about the community, the proposed funding allocation, land tenure status, existing infrastructure and housing condition. It provides information to assist the alliance in developing the scope of works for the package. In response to the

package scoping proposal, the alliance is required to prepare and submit a package return brief within 30 days.

3.10 The package return brief sets out the alliance's approach to developing the package development report, the budget, schedule and proposed methodology. Under the alliance participation agreement, the package return brief is submitted for approval by the relevant alliance leadership team. Once approved, the alliance commences work on developing the package development report.

3.11 The package development report includes details on the costing, scope, design specifications, stakeholder engagement, and employment and workforce development. Its formulation requires extensive community engagement and the alliances are required to develop a scope of works that presents the best value-for-money solution within the agreed funding for the particular package. The package development report is to be provided to DHLGRS within 150 days. The cost of developing the package development report is generally lower than the 5 per cent allocated. However, in several packages an allowance was made for additional scoping following the approval of the package development report.

3.12 Following agreement of the budget and scope of works by the alliance leadership teams, and consideration of the package development report by the Joint Steering Committee, final approval to commence works rests with the DHLGRS program manager as the financial delegate for the program. FaHCSIA has a key role in the negotiation and approval process and is able to influence the scope and cost of works, through its position on one of the alliance leadership teams and its role on the Joint Steering Committee. Consequently, FaHCSIA also has ready access to relevant commercial information pertaining to the operation of the alliances and the delivery of the packages.

3.13 Despite efforts to improve the package development report process, considerable delays have been experienced between the release of the package scoping proposals and the approval of the package development reports. DHLGRS advised that additional time was needed for most packages due to infrastructure being included in the packages. This required detailed consideration of the condition of the existing infrastructure and negotiation over the final scope of infrastructure works. Experience within the program has shown that the time taken to develop, negotiate and approve packages can be in excess of 12 months. This highlights the need for the package

development report process, in particular, the timeliness of the process, to be improved.

Early works

3.14 Delays in the package development process have resulted in the approval of early works to maintain program momentum, to achieve the program targets, and to provide an immediate benefit to communities. Early works are approved works that can be started prior to the agreement and approval of packages. They are designed to support the commencement of construction works as quickly as possible and have a number of benefits, including: accentuating community support for the program; increasing the number of transition houses used to accommodate families displaced during the rebuilding or refurbishment of houses; and pre-purchase and pre-construction activities that support the more efficient staging and delivery of packages.

3.15 In excess of \$130 million in early works had been approved by 31 December 2010. This equated to approximately 14 per cent of the value of the allocated packages, including housing and infrastructure.⁴⁷ Early works have included works associated with developing new subdivisions, construction of workers' camps, purchase of materials, construction of new houses, and refurbishment and rebuilding of houses.

3.16 The approvals for early works far exceeded the expectations of the August 2009 review team, which made reference to early works as 'small packages of works that are brought forward in advance of the major work to be undertaken in a community'.⁴⁸ One example where early works have been extensively used is Wadeye. An early works package was approved in late 2009, and used to complete 55 new houses and 82 refurbishments. While early works have a range of benefits, their use can make it difficult for program management to subsequently negotiate the package cost as works are already underway.

⁴⁷ The allocated value of housing-related works is \$560.5 million and infrastructure works is \$314.6 million.

⁴⁸ Department of Families, Housing, Community Services and Indigenous Affairs and Northern Territory Government, *Strategic Indigenous Housing and Infrastructure Program—Review of Program Performance*, 28 August 2009, p. 20.

Cost of housing construction under the program

3.17 As part of the package development process, the package cost (target outturn cost) and detailed cost estimate (target cost estimate) are developed by the alliances. These must be a reasonable estimate of the cost of delivering the agreed scope of works. The final target outturn cost is the negotiated and agreed cost for a package, subject to the performance of the alliances in delivering against agreed key result areas. In agreeing the target outturn costs and cost components for a package, the proposed costs are assessed by an independent cost estimator and quantity surveyor, who price the work to be undertaken and benchmark this against industry pricing. The results of this analysis are used in assessing the estimated cost and agreeing and approving the package.

3.18 As discussed in Chapter 1, the cost of a package is made up of three components known as: limb one, two and three. Limb one is the direct construction costs which are charged to DHLGRS at actual cost. This includes items such as labour and materials. Payment of limb one costs is on an open book basis, with claims from the alliances subject to regular independent financial audits. Limb one costs vary across packages, and in particular between refurbishment works and packages combining work types.

3.19 Overheads and normal profit or margin (limb two costs) represent the alliance partners' fees⁴⁹ for their contribution to the project. The margins are applied to the direct costs incurred. Limb two costs are determined during the package negotiation process and reflect the business-as-usual fees and overheads as earned by the alliance partners on similar projects. Limb two costs vary subject to the overall negotiated compensation arrangements and the level of risk. For example, access to an incentive payment or gain-share may be forgone for an incremental increase in the level of normal profit. The payment of the alliance partners' fees, the major component of limb two, is at risk under the pain-share arrangements if risk eventuates and/or the alliance partner is not able to achieve the required level of outputs and performance. Conversely, if there is an underspend the alliance partner can share in the dividend. However, the ANAO was advised that the alliances have forgone the right to participate in gain-share. Consequently, any cost underruns and

⁴⁹ Normal or business-as-usual profit and a contribution to corporate overheads.

the incentive pool are now available to increase the scope of works within a package.

3.20 Table 3.2 presents the high-level allocation of costs associated with construction works under the NPARIH in the Northern Territory. Costs have been grouped into three broad categories: direct; indirect; and risk, opportunity and contingency. Direct costs include the costs associated with package development and delivery and include the more tangible inputs, such as material and labour. Indirect costs are the costs associated with managing the delivery of packages and include the alliance partners' fees. An allowance for risk and contingency within the packages is also identified as an allocation to cover unexpected costs increases. The cost allocations for new houses and refurbishments have been separately analysed, but as the resulting averages were the same in each case, they have been combined in Table 3.2 for presentation purposes. On average, direct costs were being incurred at a rate of 70 per cent while indirect costs averaged 17 per cent of the planned package cost. A separate allowance for risk and contingency, within packages, was being made at an average of 4 per cent.

Table 3.2

Allocation of costs associated with construction works

Cost item	Average of the estimated cost components
New and refurbished houses	
Direct costs	70 per cent
Indirect costs ¹	17 per cent
Risk, opportunity and contingency	4 per cent
Goods and Services Tax ²	9 per cent

Source: ANAO analysis of DHLGRS information.

Note 1: Includes management related activities such as the alliance partners' fees, corporate overheads and insurances. Payment of these costs is subject to limb three negotiations. Consequently, payment of these costs is at risk under the pain-share arrangements agreed between the Northern Territory Government and alliance consortia.

Note 2: The packages include some costs which are GST exempt.

3.21 Table 3.2 is based on the expected cost of works at the time of agreeing the target outturn cost for the packages. The information presented is not therefore representative of the final actual cost of packages, as the payment of management related indirect costs is subject to limb three negotiations, and consequently the pain-share arrangements agreed between the Northern Territory Government and alliance partners. Under the pain-share model, the

payment of indirect costs is at risk subject to the performance of the alliance partners against pre-agreed targets and key result areas, as discussed in paragraphs 1.30 and 1.31. As a result, it is possible that under certain circumstances, no payment would be made for indirect costs. Limb three negotiations had not been completed for any packages at the time of drafting this report.

Average cost parameters for new houses

3.22 The average cost per house is central to the program reaching its overall targets within budget, and achieving this requires careful planning and close monitoring. The ANAO's analysis of the packages agreed to the end of June 2011 indicates that the average planned new house cost was approximately \$590 000. However, when the earlier packages, which have higher costs and incorporate some rebuilt and refurbished houses, are excluded from the analysis, the average planned new house cost reduces to \$454 000. While the average cost for the later packages is within the program's cost parameters of \$450 000 plus contingency, the additional costs associated with the earlier packages will need to be offset by savings in future packages if the overall program average is to be achieved.

3.23 The cost of construction in the Northern Territory under the program has received criticism, with claims by a third parties that construction works can be delivered at lower costs.⁵⁰ The alliance model has also been criticised because of high overheads. FaHCSIA acknowledges this situation but advised that the program sustains costs which are over and above the costs incurred by previous housing programs in the Northern Territory, as it is on a scale not previously undertaken. The alliance consortia are operating concurrently in several remote Indigenous communities, constructing, in some cases, between 80 and 100 or more houses in each, incurring costs not experienced in building a much smaller number of houses in a single community.

3.24 The ANAO requested FaHCSIA and DHLGRS to quantify the additional overhead costs incurred in implementing the program in remote Indigenous communities in the Northern Territory. The ANAO was advised that the costs are not easily quantifiable, but observed that the costs include:

⁵⁰ Robinson, R, Call for indigenous contracts, *The Australian*, 5 July 2010; and Patricia, K, Rethink on remote homes could save 40pc, *The Australian*, 24 January 2011.

- the need to engage a contractor capable of managing the delivery of a large package or packages of works;
- the requirement to comply with the Building Code of Australia, National Indigenous Housing Guidelines and Federal Safety Commission Guidelines;
- workers accommodation/construction camps and the ongoing costs of operating these facilities;
- transport of materials, including road freight and barge fees;
- community engagement and workforce development for locally engaged staff; and
- limited access to a pool of suitable contractors to undertake the works.

Not all of these costs would be incurred in smaller scale construction, but the alliance model is also expected to deliver economies of scale in other areas, against which some of these costs could reasonably be expected to be offset.

3.25 FaHCSIA has engaged a consultant to provide independent advice on technical and value-for-money considerations. In this context, the consultant compared the cost of construction on a square metre basis across Western Australia, Queensland and the Northern Territory.⁵¹ These estimates were then compared to the cost of construction under the NPARIH in the Northern Territory. Table 3.3 presents the overall results of this analysis.

Table 3.3

Comparison of construction costs (\$ per square metre)

Queensland	Western Australia	Northern Territory	NPARIH Northern Territory
\$3384 to \$4363	\$3005 to \$3670	\$4550 to \$4736	\$4888 to \$5555

Source: FaHCSIA.

3.26 The consultants found that new house construction costs in the Northern Territory under the program are higher than the estimated cost of construction in other jurisdictions which face similar climatic and remoteness

⁵¹ It was considered that Western Australia and Queensland deliver remote housing at a similar standard and experience similar climatic and remoteness issues as the Northern Territory. As such they were considered by FaHCSIA to be a fair comparison.

conditions. However, the report noted that there are significant additional costs that are unique to the Northern Territory due to the large scale and pace of construction. Factors identified that affect the cost of construction include: transport (costs associated with delivering materials and plant); weather conditions; limited local skilled labour; remoteness from large regional centres from which to draw labour, materials and accommodation; robustness of the building material and fixing methods for different cyclone categories, and scale of the projects being delivered.

3.27 The consultants also noted that

One of the major factors affecting the cost of housing for these Northern Territory locations relates to the tier of contractor necessary to manage the deliver in excess of 80 to 110 houses at a time. The contractors for such large scale developments will incur greater overheads, have higher salaries for supervisors and management team, will need to be more adept at dealing with the Federal Safety Commissioner, will have a more sophisticated camp set-up, and we understand that these locations have an accelerated program for delivery. Given the scale of these developments, we also note that the pool of contractors available (and suitable) for delivering such a project is more limited than on smaller scale developments. As a result, prices will be less competitive.⁵²

3.28 The majority of houses being constructed in the Northern Territory under the NPARIH are three bedroom houses ranging in size from 106 to 116 square meters. Applying the construction costs set out in Table 3.3 to a three bedroom house of 106 square metres in the Northern Territory, the cost of construction would be between \$518 128 and \$588 830.

3.29 FaHCSIA informed the ANAO that the unit price per house varies across the Northern Territory depending on local conditions. For example, the estimated cost per new house in Alice Springs is \$400 000 while in Wadeye it is \$475 000. FaHCSIA further advised that, in some communities, the unit cost is estimated to be up to 12 per cent higher than the average cost, but at the program level it is expected to be within the average unit costs of \$450 000 plus

⁵² RLB|Rider Levett Bucknall, correspondence—Strategic Indigenous Housing and Infrastructure Program—NT Alliance—Review of a Typical 3 Bedroom House, 30 March 2011.

contingency.⁵³ Each package also includes some one and two bedroom houses, which are less expensive to build. Figure 3.2 presents some examples of houses constructed under the program in the Northern Territory.

Figure 3.2

New houses—Wadeye, Northern Territory



Source: ANAO fieldwork.

3.30 The ANAO compared base construction costs to the Rawlinson's Construction Guide 2011, using building costs per square metre for a full brick dwelling and a prefabricated dwelling. Base construction costs include materials and labour, but do not include the full range of costs incurred by the program due to location and program-specific parameters. The approach adopted provides only a broad comparison for some cost elements, and for a more accurate comparison a full costing of comparable building components would be required. Subject to these limitations, the ANAO's analysis indicated that the base construction cost for new houses under the NPARIH in the Northern Territory is comparable to general construction industry parameters.

3.31 As discussed in Chapter 1, by 30 June 2011, ten packages of works had been allocated to the alliances. To consider whether the allocated packages can be delivered within the approved budgets, the ANAO compared the program's expenditure and the reported progress to the end of June 2011. This information is presented in Table 3.4. Based on the allocated packages, 48 per cent of new houses had been constructed and a further 28 per cent were underway. Approximately 73 per cent of rebuilt houses were completed and

⁵³ The August 2009 review made reference to an average house price target of \$450 000. At that time this was considered to be achievable, when applied across the program. As part of the review an allowance for program contingency was made at 7 per cent. While contingency is a normal part of capital projects and can be used to offset cost increases, FaHCSIA now routinely refers to the cost of new houses as \$450 000 plus contingency.

9 per cent were in progress. In relation to refurbished houses, 82 per cent were completed and 2 per cent were in progress. By the end of June 2011, 82 per cent of the allocated housing-related capital works funding had been expended, leaving \$125.7 million to complete 353 new houses, 126 rebuilt houses and 283 refurbished houses. The ANAO was informed that while works are yet to commence on the ground in relation to these houses, some preliminary activities such as design and scoping had been completed at 30 June 2011, and the costs associated with this work have already been incurred.

Table 3.4

Expenditure and reported progress as at 30 June 2011

Details	Budget/cost or cost estimate	New houses	Rebuilt houses	Refurbished houses
Allocation	\$560.5 million	677	470	1531
Actual cost and progress	\$459.9 million	324	344	1248
Per cent expended or completed	82 per cent	48 per cent	73 per cent	82 per cent
Work in progress	–	191	43	25
Per cent work in progress	–	28 per cent	9 per cent	2 per cent
Estimated package cost as at November 2010	\$609.2 million	–	–	–
Estimated package cost as at June 2011	\$558.6 million	–	–	–

Source: FaHCSIA and Joint Steering Committee papers.

3.32 In November 2010, the alliance partners in conjunction with program management estimated the cost of completing the existing packages to be \$609.2 million, which was \$48.7 million above the original budget of \$560.5 million. By June 2011, as several packages were nearing completion and costs were more apparent, the estimated cost of completion was revised, and both FAHCSIA and DHLGRS are confident that the interim housing targets for the period ending 2012–13 will be delivered within budget.⁵⁴ As noted in paragraph 3.22, the current average planned cost of a new house across the initial 10 packages was around \$590 000, which exceeds the program's average

⁵⁴ The interim target is 934 new houses to be constructed by 30 June 2013. In addition, 2915 existing houses are to be either rebuilt or refurbished.

cost parameters. However, FaHCSIA expects that the average cost parameters will be achieved across the whole program by the end of 2017–18, at which time 1456 new houses are to have been built. Although, as noted in paragraph 3.22, the higher cost of the initial packages will require offsetting in future packages to achieve the overall average cost targets.

3.33 Two packages of works had been completed by 30 June 2011, but as limb three negotiations had not been finalised at the time of preparing this report, the final package cost was not known. The ANAO was informed that cost overruns, should they arise, will be treated in the way agreed to by both parties under the contractual arrangements.

Recommendation No.3

3.34 In view of the public interest in the program and to inform the Australian Parliament about whether value-for-money is being achieved in the delivery of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA publicly reports key program information, including the planned and actual package costs, on completion of each package, and the total program cost compared to the allocated NPARIH funding and other funding sources as appropriate.

FaHCSIA's response

3.35 Agreed. FaHCSIA agrees with the recommendation noting that the Department has previously publicly committed to providing the average unit cost for new houses, rebuilds and refurbishments following the completion of each package. As acknowledged in the proposed report, the Australian and Northern Territory Governments have pursued multiple interrelated strategies to make certain that value for money is being achieved through NPARIH and that the required program objectives and outcomes are being met. The Department will continue to work closely with the Northern Territory Government to ensure that value for money continues to be achieved through the Program.

DHLGRS' response

3.36 Agreed. In keeping with commitments made by the Australian Government, my department will work with our FaHCSIA colleagues to ensure that there will be public reports on actual package costs, including an

average unit cost for new, rebuilt and refurbished houses in each package, on completion of each package.

3.37 My Department is committed to providing an accountable delivery of the construction program. I appreciate that there has been some frustration by stakeholders that detailed financial information has not yet been available on an interim basis and as such I look forward to the finalisation of packages so that this commitment can be met.

3.38 My Department will continue to work closely with our Australian Government partners in the implementation of NPARIH to deliver significant improvement in housing conditions for remote community residents across the Northern Territory

Cost of refurbishments

3.39 One of the other major outputs of the program is the refurbishment of 2500 existing houses. Currently, these are being undertaken by the alliances, and 1248 refurbishments had been completed by 30 June 2011. In establishing the alliance consortia, one of the original intentions was to engage the alliances for large-scale works where the costs of operation could be offset over a large work program.

3.40 Refurbishment works in the smaller, more geographically dispersed communities do not allow for economies of scale to be achieved to the same extent as in larger communities. As a consequence, and with the aim of providing works to as many houses as possible in a community, the concept of functional refurbishment was introduced. Functional refurbishments focus, as a priority, on fixing parts of the houses that have the most impact on people's wellbeing and safety.

3.41 The program aims to make houses safe and secure and to provide functional bathrooms, kitchens and laundries. In some instances, work undertaken on the houses may not be apparent, for example the fixing of plumbing and electrical faults. In respect of actual construction costs, approximately \$30 000 of work per house is performed on functional refurbishments. Figure 3.3 and Figure 3.4 show some of the internal works completed under the refurbishment program and the outside appearance of a refurbished houses.

Figure 3.3

Examples of completed internal refurbishment works



Source: ANAO fieldwork.

Figure 3.4

External view of refurbished houses



Source: ANAO fieldwork.

3.42 While the delivery of capital works is challenging in remote parts of the Northern Territory, the alliance model is not optimising the scope of works for refurbished houses, and some of the refurbishment works are not meeting the program's requirements. Accordingly, DHLGRS approached the Australian Government in October 2010 about implementing an alternative procurement model for refurbishments.

3.43 DHLGRS' proposal is to transition the works in communities that are only receiving refurbishments to local Indigenous business enterprises or shire councils. The Northern Territory Department of Construction and Infrastructure will manage the process for a project management fee not exceeding 8 per cent.

3.44 In briefing their Minister in January 2011 on this proposal, FaHCSIA identified potential savings of between \$1500 and \$14 500 per house. These potential savings were based on the current level of investment by the alliances, where sunk costs range from 30 per cent for allocated packages to nil for unallocated packages. In all but four refurbishment communities some preliminary costs such as those involved in design and scoping had already been incurred. Following further assessment of the proposal, DHLGRS and FaHCSIA agreed that any consideration of an alternate procurement arrangement should be considered as part of the broader procurement review already underway for the program.

3.45 FaHCSIA and DHLGRS expect to have completed a review of procurement methodologies by the end of 2011. One of the main impediments to alternative approaches for the delivery of capital works is the requirement to have Federal Safety Commissioner accreditation, and the need to comply with the associated regulations. Following completion of the review, the departments will be better positioned to determine the best procurement method, or methods, for the delivery of the balance of the capital works under the program.

Quality assurance

3.46 An effective quality assurance framework should provide assurance to program management that the works being delivered under the program comply with the program design requirements and parameters, and meet the Building Code of Australia and National Indigenous Housing Guidelines, where applicable. Within the context of the program, quality assurance is a shared responsibility between the alliance partners, the owner (DHLGRS as representing the Northern Territory Government) and the non-owner participants (alliance contractors). The Northern Territory Government, as the owner and also purchaser of services, specifies quality requirements and reserves the right to independently verify that these quality requirements have been met.

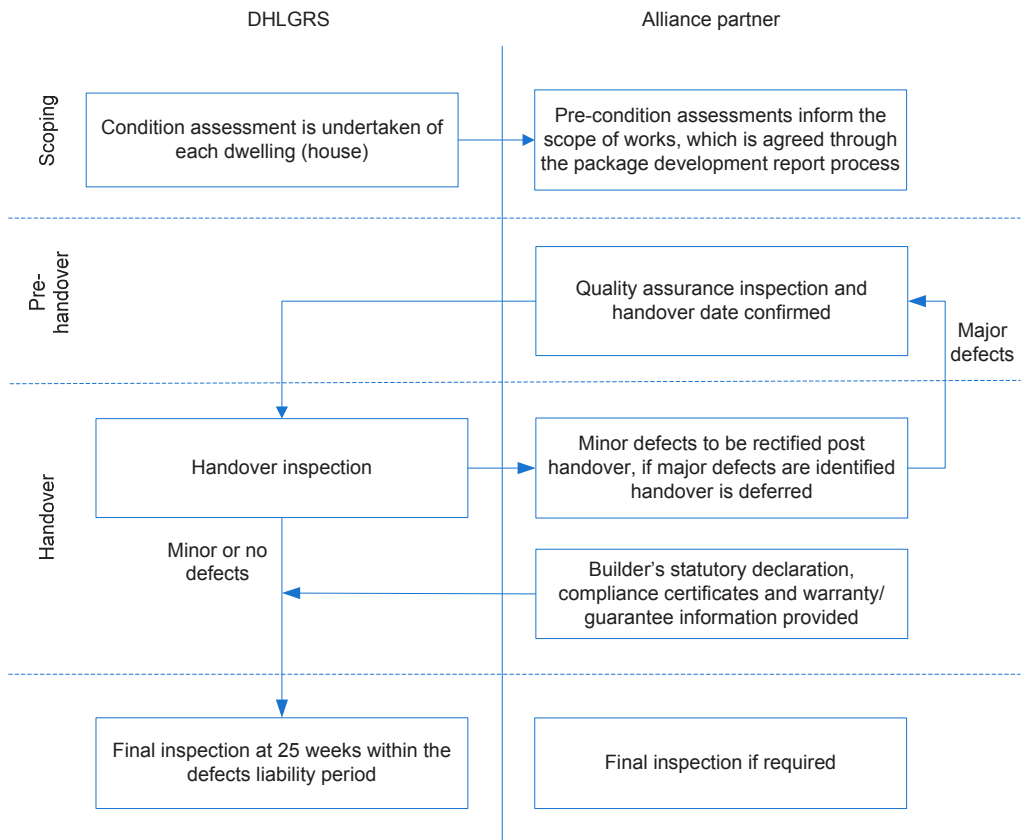
3.47 Quality assurance is largely an operational responsibility of DHLGRS, but FaHCSIA has an interest in the delivery of quality housing outputs through the program. As noted earlier in the report, the governments are aiming to construct houses that will have a useful of lifespan of up 30 years. For this to be achieved, effective quality assurance processes need to be in place and operational.

3.48 FaHCSIA, through the joint program management arrangements and its role on the Joint Steering Committee, influences how quality assurance is managed under the program. A quality sub-plan that consolidates the program's position and addresses the recommendations of a quality review undertaken in 2010, which is discussed later in this chapter, was considered and endorsed by the JSC in late 2010. Until that time the program had been operating under a quality assurance framework which was developed in 2008. The quality framework has two main components: quality assurance processes relating to the rebuilding and refurbishment of existing houses, and quality assurance processes supporting the construction and delivery of new houses and infrastructure.

Rebuilt and refurbished houses

3.49 Figure 3.5 outlines the quality assurance process for rebuilt and refurbished houses. This process relies on DHLGRS asset management officers, who undertake condition assessments of the houses pre and post-works. The pre-works condition assessment is used to inform the proposed scope of works, which is integrated into the package development report.

3.50 Prior to handover of a house to the Northern Territory Government, the alliance completes its own quality assurance inspection and rectifies defects identified at that time. The date for handover is then confirmed with the asset management officer, who completes a post-works condition assessment. At that time, the asset management officers are provided with compliance certificates for the major trades who self-certify, relevant product warranties and/or guarantees. Any defects identified during the condition assessment are to be addressed by the alliance during the 26-week defects liability period. A final inspection of the house is subsequently undertaken by the asset management officer during week 25 of the defects liability period. The alliance partner is then advised of any remediation work required. A subsequent inspection may be undertaken if required.

Figure 3.5**Quality assurance process for rebuild and refurbished houses**

Source: ANAO analysis of DHLGRS information.

New houses

3.51 The quality assurance process for new houses is more complex, with the responsibility for quality largely resting with the alliance partners as the contracted suppliers for the delivery of capital works. DHLGRS prescribes the quality requirements, including the need to comply with the Building Code of Australia and National Indigenous Housing Guidelines, while the alliance partners are responsible for realising the defined quality requirements and demonstrating that quality requirements have been met. As the Northern Territory Government is a party to the alliance, it shares responsibility for quality with the alliance partners. Consequently, DHLGRS' role largely relates to auditing and assessing if the quality assurance systems are working.

3.52 Assessment of works is required at four stages during the construction process; these aspects are managed by the alliance partners. The four stages include:

- system verification—a check of all independent audit reports and a review of the compliance audit of the quality assurance system;
- design—a third party review panel, made up of independent experts, reviews methodology and design issues including technical and cultural aspects;
- construction—ongoing quality assurance and verification program implemented by the alliance partners; and
- post occupancy—an audit of post occupancy reviews to identify systemic issues and to determine liability to rectify.

Quality assurance initiatives

3.53 Following some concerns about the quality of works being delivered under the program, particularly issues raised in relation to works undertaken on Groote Eylandt, the governments announced in March 2010 the establishment of an independent expert quality assurance team to inspect and assess new, rebuilt and refurbished houses delivered under the program.

3.54 In addition, the Australian Government commissioned an independent review of quality assurance in June 2010. The review focused on both the works completed and areas where the quality assurance systems could be improved. An independent quality assurance survey of program construction works was undertaken. Overall the review concluded that:

The quality of works being delivered through the initial packages of SIHIP work was generally found to be consistent with the Program's objectives including compliance with the SIHIP Design Guidelines, the Building Code of Australia and NIHG. In particular, the delivery of new houses was assessed as being of a high standard, with attention to good trade practices and safety standards. However, there was evidence to suggest that elements of the rebuild and refurbishment works could be improved to more closely align with the quality requirements of the Program.⁵⁵

⁵⁵ Point Project Management, SIHIP Quality Assurance Survey Report, 6 December 2010.

3.55 The review highlighted the need for the program to further develop its quality management systems and made 12 recommendations designed to strengthen the program's quality assurance systems and processes. Of particular note was the recommendation to establish a dedicated quality management team or quality manager position. FaHCSIA advised that a quality manager commenced on 1 September 2011 and a second team member commenced soon after. Recruitment for a further member of the team was underway in mid-September 2011. An extract of the review's recommendations is available at Appendix 6. As noted earlier, since the delivery of the quality assurance review report, the Joint Steering Committee has endorsed a quality sub-plan for the program. The sub-plan consolidates the program's position in respect of quality assurance and addressed several of the recommendations made in the review report.

Program funding pressures

3.56 A significant issue for the governments is the ability to implement the NPARIH in the Northern Territory within the available funding. The original NPARIH funding allocation was based on a business case using average cost parameters. The cost of construction in remote areas in the Northern Territory was initially underestimated by both governments. The Northern Territory Auditor-General's report of June 2010 also found that:

The significant increases in the estimated costs of constructing new houses and the estimated costs of refurbishments, when compared with the original estimates that formed a basis for determining amounts committed by the Commonwealth and Northern Territory governments, pose a risk. Without an increase in financial commitments by both governments, funds provided under the National Partnerships Agreement will need to be diverted from other purposes to meet the costs of essential infrastructure.⁵⁶

3.57 As part of the August 2009 review, the average cost estimates for new houses were revised, and parameters were established for rebuilt and refurbished houses. The agreed revised average costs parameters used in developing the NPARIH are outlined in Table 3.5.

⁵⁶ Auditor-General for the Northern Territory, *Strategic Indigenous Housing and Infrastructure Program June 2010 Report to the Legislative Assembly*, Darwin, June 2010, p. 47.

Table 3.5**Comparison of program average cost parameters**

Description	Post August 2009 review ¹	Original NPARIH
New houses	\$450 000	\$325 000
Allowance for dynamic Indigenous population growth	N/a	\$23 750
Sub-total new houses	\$450 000	\$348 750
Major repairs and replacements	N/a	\$143 000
Rebuilt houses ²	\$200 000	N/a
Refurbished houses ²	\$75 000	N/a

Source: FaHCSIA—August 2009 review and extract from NPA Budget Capacity Paper.

Note 1: The August 2009 review also include an allowance for program contingency at 7 per cent.

Note 2: Prior to the August 2009 review there was no definition for rebuilt houses or refurbishments. These were collectively referred to as major repairs and replacements.

3.58 Although the average cost of a new house and the number of houses to be rebuilt and refurbished has increased when compared to the original NPARIH implementation plan for the Northern Territory, the level of Australian Government funding has remained constant. Consequently, \$1.1 billion in NPARIH funding, of which \$905 million is for capital works, will be available between 2008–09 and 2012–13. These funds have been sourced from the overall allocation of \$1.7 billion for the Northern Territory over the ten-year period of the NPARIH. The Northern Territory Government also brought forward \$140 million to assist with the funding of housing-related infrastructure, increasing their investment during this period to \$240 million.

Infrastructure to support remote Indigenous housing

3.59 The provision of infrastructure such as roads, electricity, water and sewerage is an essential part of providing sustainable public housing and creating healthy and functional homes. The availability and reliability of infrastructure in remote communities has been an issue for some time. Under the NPARIH, existing electrical, water and sewerage services in the 16 communities receiving major capital works are to be upgraded and/or augmented to meet relevant standards, and to provide adequate services for new, rebuilt and refurbished houses.

3.60 Infrastructure requirements to support the new, rebuilt and refurbished houses are significantly higher than originally forecast. The Northern Territory

Government estimated in September 2010 that \$520 million was required to fund infrastructure in the 16 communities receiving major works under the program. Following independent assessment, and a reduction in infrastructure works to housing-related infrastructure only, the expected cost of infrastructure was reduced to \$420 million. As noted above, the Northern Territory Government has committed \$140 million, leaving \$280 million to be funded from the NPARIH.

3.61 Infrastructure funding under the NPARIH was originally planned for new subdivisions and not intended to address major upgrades of existing essential services needed to accommodate the higher demand from the increased number of houses, or connections from the new subdivisions. Following the August 2009 review, the governments agreed that housing costs and essential service infrastructure costs would be sourced initially from the NPARIH and Northern Territory Government programs to support the completion of first 750 new houses, and the rebuilding and refurbishment of 230 and 2500 houses respectively. However, by 30 June 2013, DHLGRS is expected to have constructed 934 new houses, and rebuilt or refurbished 2915 existing houses. Consequently, additional funding may need to be drawn from the out years of the NPARIH to pay for infrastructure works for houses in excess of the original SIHIP targets.

3.62 FaHCSIA has advised that infrastructure funding to support the delivery of the NPARIH targets will be sourced from the proposed National Partnership for Remote Indigenous Infrastructure. The development of a National Partnership for Remote Indigenous Infrastructure was to be informed by an audit of municipal and essential services to be conducted by FaHCSIA and reported to COAG by December 2009. FaHCSIA has undertaken an audit of municipal and essential services and now expects to make a submission to COAG in the last quarter of 2011.

3.63 FaHCSIA and DHLGRS have made the decision to continue implementation of the NPARIH in the Northern Territory, knowing the scale of the infrastructure issues and without a clear direction or timeframe for their resolution. No date has been set in the National Indigenous Reform Agreement for the proposed National Partnership Agreement on Remote Infrastructure and, as at 30 July 2011, it was not clear when this issue will be resolved and/or the level of funding that may be available, leaving questions about whether funding will be sufficient for the full program of housing construction and infrastructure.

Processes for managing the NPARIH funding allocation in the Northern Territory

3.64 Given the funding pressures being faced by the departments in delivering the program, the ANAO sought advice from FaHCSIA during the audit about its strategy for supporting the achievement of the NPARIH outputs and objectives within the funding allocated to the Northern Territory. FaHCSIA, in their response, advised:

The Australian Government takes an active role in working with the Northern Territory Government to ensure that agreed unit costs of the housing program are achievable. Both governments have developed a Budget and Delivery Control Framework. This framework provides strong financial management and reporting of the program budget against funding available. Both governments are able to identify and manage variances between actual forecasted spending which ensures that NPARIH commitments can be delivered.

Both Parties also work with the Alliance Partners to drive costs of packages to within allocated funding parameters. ... All housing costs submitted through this process are subjected to assessment by independent Quantity Surveyors to ensure value for money. The commercial partners to the Alliances are also subject to financial penalties for poor performance and fees paid can be recovered in cases of cost overruns to the agreed TOC. In addition, Alliances are required to have stringent Cost Management Plans in place and are subject to regular independent financial audits ...

Under NPARIH, additional strategies have been implemented to ensure that the program achieves its unit cost averages. Under the Northern Territory program some unit costs have been higher than the target unit cost of \$450,000 but remain within the SIHIP Review commitments when contingency is applied and full costs are averaged across the program. Indexation to capital works funding is also applied under NPARIH which ensures that cost of housing reflects inflationary growth. When the Government considered the acceleration in the Northern Territory, it was confirmed that there was sufficient funding to deliver the remaining 522 houses, noting that infrastructure and yard works are to be sourced from future infrastructure processes.⁵⁷

⁵⁷ Department of Families, Housing, Community Services and Indigenous Affairs, Correspondence to the Australian National Audit Office, dated 8 April 2011, p. 3.

3.65 In considering FaHCSIA's advice, the ANAO confirmed that the NPARIH funding allocated to the period 2013–14 and 2017–18 would be sufficient to fund the construction of the remaining 522 houses within the program's average costs parameters. However, as the NPARIH will be implemented over a ten-year period, it is reasonable to expect that over the life of the program the building costs will significantly increase. If indexation is applied to the average cost of a \$450 000 new house, then by 2017–18 the average cost of a new houses could exceed \$550 000, if inflation is stable at 2.5 per cent over that period. This suggests that in future years the scope of works for new houses will need to be reduced, if the average cost of a new house is to be maintained at \$450 000 plus an allowance of \$36 000 for contingency. As a result, DHLGRS could experience some financial pressure in delivering the balance of new houses in the Northern Territory, if the existing house designs and level of amenity are maintained. As discussed in the previous section, construction of the houses is also dependent upon the provision of additional funding for infrastructure.

Budget and delivery control framework

3.66 As noted in Chapter 2, in late 2010, in recognition of the need to better manage the program's annual budget within the available funding from the governments, the Joint Steering Committee endorsed the implementation of a Budget and Delivery Control Framework. The framework outlines control strategies, including:

- managing variances to the overall program budget;
- only approving package variations or forecast changes to expenditure after comparison to the overall program budget; and
- offsetting over or underspends across packages, finding efficiencies and changing targets.⁵⁸

3.67 The introduction of the budget and delivery control framework and enhanced financial reporting is a positive step towards managing costs within the program, but, at a practical level, the framework provides limited information in respect of how the program will contain costs, other than through changes to the targets and/or changes to the scope of works. FaHCSIA

⁵⁸ Remote Housing Northern Territory, Joint Steering Committee, Agenda Item No. 2.2.1–Budget and Delivery Control Framework, Meeting No. 29–4 November 2010, p. 2.

advised that unit costs are a central point of all negotiations with the alliances and that the management of the alliance agreements is a key strategy in managing costs and value-for-money. Application of the pain-share model and the allocation of additional packages are incentives for the alliances not to exceed costs, however, if this occurs, significant costs will still be incurred and these will need to be offset if the total program cost is to be contained within the existing funding envelope.

Value-for-money considerations

3.68 Achieving value-for-money through the efficient, effective and ethical use of resources is a central element of the Australian Government's approach to procurement. The Commonwealth Procurement Guidelines highlight that to determine whether value-for-money will be achieved, departments need to undertake a comparative analysis of all relevant costs and benefits. This consideration ideally includes fitness for purpose, quality of the expected outputs, total cost of assets over their useful life, and any relevant direct and indirect benefits which can arise from the delivery of the service. Furthermore, consideration needs to be given to the effectiveness of the outputs in contributing to the outcomes sought by the government.

3.69 During the audit the ANAO sought a submission from FaHCSIA about a range of value-for-money considerations, an extract of the department's response is at Appendix 7. FaHCSIA informed the ANAO that value-for-money has been a key consideration for the department in implementing the NPARIH and former housing programs, and advised that the department pursues multiple interrelated strategies to make certain that value-for-money and the required program objectives and outcomes are being achieved.

3.70 At this early stage of program implementation there is insufficient data about the achievement of the objectives and outcomes of the program for the department to assess whether these are being achieved. Consequently, the department's consideration of value-for-money has focused on the average cost of houses being constructed and refurbished under the program, including expected maintenance costs over the life of the houses, and the quality of these works.

3.71 FaHCSIA and DHLGRS have implemented systems, processes and controls at the package level with the aim of achieving value-for-money. These controls provide a level of assurance that the program is being achieved within the agreed cost and, if this is not achieved, provide opportunity for cost

overruns to be shared between the alliance participants. In summary, the controls implemented include:

- establishment of program average costs parameters, which are used to form the basis of package funding allocations;
- assessment of cost estimates by quantity surveyors and comparison to cost estimator benchmarks;
- negotiation and agreement, with the alliance partners, of the overall package cost and scope of works to be delivered;
- auditing of claims for payment by an independent financial auditor;
- incentive framework through operation of pain-share and gain-share arrangements;
- monitoring of package costs by program officers and the Joint Steering Committee;
- Australian Government representation through the alliance leadership teams and direct access to information about progress, costs and risks; and
- operation of pain and gain-share arrangements, which provide for the sharing of risk and benefits.

3.72 The quality of the houses constructed under the program and the expected ongoing maintenance costs over the life of the houses are also an important aspect of value-for-money. As discussed in paragraphs 3.23 to 3.28, the cost of construction in the Northern Territory under the NPARIH is higher than in the other jurisdictions. Factors such as the scale and pace of construction have contributed to this, however, different new house construction methods can also result in varying initial capital and ongoing maintenance costs. In this respect, houses with a lower initial capital cost may be more expensive to maintain in the longer term, resulting in a higher total cost over the life of the houses.

3.73 As part of the management of the program, FaHCSIA commissioned a consultant in early 2011 to undertake an analysis of the life-cycle cost of a typical three bedroom house in the Northern Territory. Two in-situ

construction methods⁵⁹ were considered with comparison of the initial capital and ongoing maintenance costs over the life of the houses. While the main construction method being used in the Northern Territory was found to have a higher capital cost, the total cost of the houses over their useful life was estimated to be lower, with less maintenance and fewer replacements expected to be required. The weighted average service life, as calculated by the consultants, was 28 years compared to 21 years for the alternative construction method.

3.74 As discussed in paragraphs 3.53 to 3.55, FaHCSIA also commissioned a quality assurance review in early 2010, to provide assurance about the quality of works delivered under the program. The review identified that, overall, new houses were of a high quality and that completed works were generally consistent with program requirements. However, the review team noted that rebuilding and refurbishment works could be improved to more closely align with the program's quality requirements.

3.75 The delivery of rebuilt and refurbished houses incurs significant overhead costs associated with the operation of the alliance arrangements. Alternative procurement options for the delivery of refurbishments are being considered by FaHCSIA and DHLGRS as part of a broader procurement review expected to be completed by the end of 2011. The Australian Government currently requires the head contractors to be accredited by the Federal Safety Commissioner. This limits opportunities to consider alternative procurement arrangements for refurbishments as smaller contractors and local Indigenous corporations, capable of delivering these works, would generally not be accredited.

Conclusion

3.76 The construction, rebuilding and refurbishment of Indigenous housing in remote communities are the key program outputs of the Northern Territory component of the NPARIH, and these are being delivered through alliance contracting. Construction works are undertaken as packages, which are generally made up of a combination of new, rebuilt and refurbished houses, serviced land development and civil works. Packages approved to

⁵⁹ The two methods considered related to the costs associated with the construction and maintenance of a three bedroom house with core filled walls and metal clad walls.

30 June 2011 are comprised of between two and 110 new houses and 74 to 306 rebuilt or refurbished houses, with the exception of the Southern Region Refurbishments Package. This was a refurbishment only package covering 27 communities surrounding Alice Springs, and included in excess of 700 refurbishments.

3.77 The allocation, scoping, negotiation and approval of packages is a major element of the program and can be a lengthy process, taking over 12 months in some cases. To progress housing delivery while packages are being developed and to deliver an immediate benefit to communities, the governments have made use of an approach referred to as early works. These are agreed works which can commence prior to the approval of the package, and were designed to enable the commencement of minor works, such as the set up of construction camps and site works. While early works maintain program momentum, scoping and implementation takes place outside of the agreed package development process and is later integrated into the overall package cost. This can make it more difficult for the departments in negotiating the total package cost, as works are already underway.

3.78 By 31 December 2010, \$130 million in early works had been approved. This has included the construction of workers' camps, purchase of material, development of new sub-divisions, construction of new houses, and the refurbishment and rebuilding of houses. This is approximately 14 per cent of the value of the approved packages, including housing and infrastructure. The relatively high value of early works highlights the need for the package development process, in particular the timeliness of the process, to be further improved.

3.79 Maintaining controls over program costs is an essential element of program management. FaHCSIA has sought to benchmark construction costs being incurred in the Northern Territory against other jurisdictions. The resultant benchmarking study concluded that construction costs for new houses in the Northern Territory, under the alliance model, are higher than the estimated cost of construction in other jurisdictions which face similar climatic and remoteness issues. However, the study noted that there are significant additional costs being incurred in the Northern Territory due to the large scale and pace of construction. For example, to achieve the program's interim targets, the alliances are operating concurrently in several remote communities, constructing, in some cases, between 80 and 100 or more houses in each.

3.80 The ANAO also reviewed the cost of construction including base construction costs and indirect costs, which include the alliance partners' profit or fee, contribution to corporate overheads, insurances and contingency. The base construction costs are broadly comparable to general construction industry parameters.⁶⁰ The alliance partners' fees and corporate overheads, the main component of management related indirect costs, are agreed during the package development process and are based on the usual fees and corporate overheads that have been charged by the alliance partners for previous comparable projects. Under the pain-share model, the payment of indirect costs is at risk subject to the performance of the alliance partners against pre-agreed targets and key result areas. As a result, it is possible that under certain circumstances, no payment would be made for indirect costs.

3.81 Implementation of the NPARIH in the Northern Territory is addressing a significant need for improved public housing in remote Indigenous communities. However, the cost of capital works under the program is high as a consequence of the environment in which the program is being delivered. While FaHCSIA expects that the housing targets will be achieved within the available funding, this is subject to the provision of additional funding for infrastructure. A National Partnership Agreement on Remote Indigenous Infrastructure is envisaged in the National Indigenous Reform Agreement, but at this time it is not clear when this issue will be resolved and/or the level of funding that may be available, leaving open questions about whether funding for the full program will be sufficient.

⁶⁰ ANAO compared base construction costs to the *Rawlinson's Construction Guide 2011*, using building costs per square metre for a full brick dwelling and a prefabricated dwelling. These dwelling types are not available under the program, but provide an indicative cost for comparison purposes. The approach adopted provides a broad comparison of the base construction cost, but does not include the full range of costs incurred by the program due to location and program-specific parameters, which cannot be easily quantified. For a more accurate comparison a full costing of comparable building components would be required.

4. Program Progress

This chapter discusses the progress made against the targets agreed in the Northern Territory implementation plan.

Introduction

4.1 The NPARIH is designed to reform the provision of public housing services to Indigenous people in remote communities. To achieve this, the program includes three major strategies. The first of these is to reform land tenure arrangements on Indigenous land so that housing and other infrastructure investments can be made on the basis of long-term lease arrangements. The second strategy is to increase the quality and quantity of public housing available for rental purposes in Indigenous communities. This includes the construction and refurbishment of houses and related infrastructure. The third major strategy is to reform property and tenancy management arrangements in remote communities to improve the allocation of public housing and the collection of rent as well as ongoing maintenance of the housing stock. The operation and performance of the program needs to be considered against these three strategies. In addition, under the NPARIH all jurisdictions are required to seek to maximise Indigenous employment in their operation, and this is a further relevant performance area to consider.

4.2 The implementation plan agreed between the Australian and Northern Territory Governments establishes the key performance targets that are to be achieved under the NPARIH in the Northern Territory. Program performance, in particular the pace of housing construction and refurbishment, has been a matter of strong public interest since mid-2009 when media reports highlighted the limited progress made at that point. The pace of progress triggered the joint review of the program, undertaken in August 2009, and its subsequent recommendation to increase the operational role of the Australian Government so as to drive program performance.

4.3 By 30 June 2011, progress had been made in all major areas of program implementation. Between 2007–08 and 2010–11 expenditure on remote Indigenous housing in the Northern Territory under the NPARIH and the previous housing program, SIHIP, was \$810.9 million from a total budget of

approximately \$2 billion.⁶¹ Of this expenditure, \$758.1 million relates to the capital works component of the program, including housing, housing-related infrastructure and program management.

4.4 This chapter discusses progress made to date in leasing, housing construction and refurbishment and the development of property and tenancy management arrangements. Also discussed is reported progress against Indigenous employment targets and the impact of population growth and mobility on the achievement of the overall NPARIH objectives and outcomes.

Establishing secure land tenure arrangements

4.5 Under the NPARIH, all governments have agreed that major government investment in fixed assets, such as housing or infrastructure, must be supported by long-term land tenure, which enables the governments to have access to and control over their assets. This provides assurance that the assets are used for their intended public benefit and can be maintained, increasing their useful life. The governments are aiming to extend the life cycle of remote Indigenous housing from seven years to a life cycle of up to 30 years.⁶²

Land tenure and Indigenous land in the Northern Territory

4.6 Several types of leases have been used by the Australian and Northern Territory Governments in securing land tenure to support financial investment and the delivery of government programs. These include township leases, housing precinct leases and five-year leases. Appendix 8 provides an overview of lease arrangements in the 16 major communities and three town camps receiving significant government investment under the NPARIH. The other 57 communities receiving refurbishments only are covered by five-year leases entered into under the *Northern Territory National Emergency Response Act 2007*. Each lease type is discussed in more detail in the following sections.

⁶¹ As discussed in Chapters 1 and 3, over the ten years of the NPARIH the Australian Government is providing \$1.7 billion through the NPARIH and an addition \$77 million from other funding sources. The Northern Territory Government is also contributing \$240 million.

⁶² Council of Australian Governments, *National Partnership Agreement on Remote Indigenous Housing*, 2008, p. 5.

Township leases

4.7 Township leases support investment in public housing, community infrastructure and economic development initiatives. They are provided under Section 19A of the *Aboriginal Land Rights (Northern Territory) Act 1976* and can range from 40 to 99 years. A township lease is negotiated between the Australian Government and the traditional owners of the township, who are represented by the respective Aboriginal Land Council and the Land Trust. The Executive Director of Township Leasing enters into and manages the lease on behalf of the Australian Government. The Office of Township Leasing is the administrative unit that assists the Executive Director of Township Leasing in managing long-term leases.

4.8 Progress in securing township leases has been slower than originally anticipated by the Australian Government, with only two township leases entered into. These include the community of Nguuiu in August 2007 and the Groote Eylandt communities of Angurugu, Milyakburra and Umbakumba in December 2008. This is despite offers to establish township leases in all Regional Service Delivery⁶³ priority communities in the Northern Territory in 2008 and 2009, and government incentives for communities to enter into township leases. These included a community benefits package⁶⁴, an upfront rental payment of up to \$5 million for larger communities and \$2 million for smaller communities for the first 15 years of the lease.

Housing precinct leases

4.9 Housing precinct leases are the minimum tenure required by the Australian Government before major housing and infrastructure investment can be made on Indigenous land. These are leases held over individual house lots and are intended to cover all existing community housing and land identified for new community housing. The lease term is usually for a period of 40 years and is comprised of an initial term of 20 years with an option to renew the lease for a further 20 years. Housing precinct leases are held by the Northern Territory Government and/or Executive Director of Township

⁶³ Fifteen remote service delivery communities are based in the Northern Territory. Under the National Partnership Agreement on Remote Service Delivery, the Australian Government is aiming to improve the delivery of services initially across 29 remote locations in Australia.

⁶⁴ A community benefits package refers to a suite of initiatives funded by the government to benefit the community e.g. new oval, research activities. As traditional owners are the recipient of rent payments, the intention of the community benefits package is to provide benefits for other community members.

Leasing. By July 2011, there were nine housing precinct leases in place covering the communities of Galiwin'ku, Gapuwiyak, Gunbalanya, Hermannsburg, Lajamanu, Maningrida, Milingimbi, Ngukurr and Wadeye.

Five-year leases

4.10 As part of the 2007 Northern Territory Emergency Response, the Australian Government compulsorily acquired land covering 64 Northern Territory communities, to enable prompt access for delivery of services, repair of buildings and the development of infrastructure. A five-year lease arrangement was used for the acquisition. The underlying ownership of the land has remained with the traditional owners. At the expiration of the five-year leases in August 2012, land and infrastructure which has not been transitioned to a longer-term lease will revert to the control of the landowners.

4.11 The Australian Government's policy is to transition these communities to longer-term leasing arrangements, intending that long-term voluntary leases would be negotiated during the term of the five-year leases. However, this transition has been slower than expected. By July 2011, 11 communities had entered into a whole-of-township or housing precinct lease, three communities had agreed in principle and a further two communities were in the process of lease negotiations, with the remaining 57 communities being covered by five-year leases. With five-year leases expiring in August 2012, there is an increasing risk that government efforts to improve housing conditions and implement a new remote public housing model in these communities will be curtailed and recent reforms may not be sustainable. FaHCSIA advised that the Australian Government is pursuing leases with the communities covered by the existing five-year lease arrangements.

Progress against the NPARIH housing targets

4.12 The housing targets outlined in Table 4.1 indicate that of the 1456 new houses to be constructed by 2017–18, 934 are to be completed by 2012–13. By this date, the rebuilding and refurbishment of all 2915 houses is also scheduled to be completed. These targets are further broken down in annual targets which are reported in June each year. Table 4.1 provides details of the initially agreed NPARIH targets, the targets agreed as part of the August 2009 review,

the NPARIH competitive bids process⁶⁵ and the bringing forward of NPARIH funding agreed in late 2010.⁶⁶ The accelerated targets indicate the extent to which the overall targets were increased. The table also provides details of the houses reported as completed in each year.

4.13 As noted in Chapter 2, within the overall target of constructing 1456 new houses, the first Northern Territory implementation plan, agreed in March 2009, established an interim target of 685 new houses to be constructed by 2012–13 with 1552 other houses to be rebuilt or refurbished in the same period. As a result of the August 2009 review, both governments agreed to set new interim targets. These targets were later revised and became known as the accelerated NPARIH targets, and reflect that work planned for later years was to be brought forward.

4.14 When compared to the original targets reflected in the Northern Territory NPARIH implementation plan, the accelerated targets committed both governments to bringing forward the construction of 249 new houses and the rebuilding or refurbishment of an additional 1363 houses. Further, the accelerated targets for rebuilds and refurbishments show that significantly more houses are expected to be completed from 2010–11 onwards. The scope of refurbishment works under the new targets is not necessarily the same as had originally been planned and part of the planned increase is based on the development of a category of works known as functional refurbishments. As discussed in Chapter 3, functional refurbishments are where between \$20 000 and \$100 000 is spent on capital works, to make the house safe and functional.

⁶⁵ COAG agreed to renegotiate the NPARIH in late 2009 to ensure a stronger focus on performance and to provide incentives for jurisdictions to deliver capital works activity on time and within the agreed budgets. As part of this process capital works targets were agreed for 2010–11 and 2011–12 for all jurisdictions. The competitive bids targets for the Northern Territory formed the basis for the development of the accelerated targets reflected in Table 4.1. Although targets were established for the Northern Territory Government as part of this process, the \$672 million in funding provided under the former program SIHIP is exempt from the competitive bids process.

⁶⁶ It was agreed in October 2010 that \$316.7 million would be brought forward from 2012–13, 2013–14 and 2014–15 to 2010–11 and 2011–12, to fund the accelerated program.

Table 4.1**New, rebuilt and refurbished housing targets and outputs**

Details	2008–09	2009–2010	2010–2011	2011–2012	2012–2013	Total
Original targets – Northern Territory implementation plan						
New houses	20	65	298	270	32	685
Rebuilds and refurbishments	20	758	495	259	20	1552
August 2009 review targets						
New houses	Not stated	Not stated	Not stated	Not stated	Not stated	750
Rebuilds and refurbishments	Not stated	Not stated	Not stated	Not stated	Not stated	2730
Competitive bids targets						
New houses	Not applicable	60	200	250	240	750
Rebuilds and refurbishments	Not applicable	152	800	454	1324	2730
Accelerated targets agreed as part of the acceleration of NPARIH funding¹						
New houses	Not applicable	67	250	350	267	934
Rebuilds and refurbishments	Not applicable	344	1030	1175	366	2915
Reported as completed						
New houses	Not applicable	67	257	-	-	324
Rebuilds and refurbishments	Not applicable	344	1248	-	-	1592

Source: FaHCSIA-Northern Territory Implementation Plan and Progress Reports.

Note 1: The targets agreed for the Northern Territory as part of the competitive bids process were used as the benchmark for the acceleration of the NPARIH funding and targets.

4.15 For the construction of new housing, the extent of the acceleration will only be visible in 2012–13 when a significantly larger number of new houses are planned to be constructed, compared to the original NPARIH targets. As a result, the accelerated targets remain lower, in aggregate terms, than the original NPARIH targets until the end of 2011–12, when a total of 667 new houses are planned to be completed. Under the original NPARIH targets, 653 new houses were planned to be completed at that same point in time.

4.16 To understand progress in housing construction, the ANAO examined completion data collated by the program officers and the underlying data quality assurance processes. Operation of some of these processes was also verified with the government business managers and alliance consortia in the communities visited during audit fieldwork. As indicated in Table 4.1, at the end of June 2011, 324 new houses had been reported as being completed and a further 1592 had been rebuilt or refurbished. These works occurred across 10 packages, which included 53 communities and two town camps, and exceeded the accelerated new house targets. The number of completed refurbishments also exceeds the aggregate target to 2010–11, although the 324 new houses that were completed by June 2011 is lower than the 383 houses that were originally planned to be completed by that stage.

4.17 The pace of progress for completion of construction and refurbishment works is illustrated in Figure 4.1 and Figure 4.2. From the start of the program in January 2008 until February 2010, no new houses had been completed. After this point, the rate of progress improved, although it remained low until July 2010, by which time 67 houses were completed. The refurbishment of houses started at a similar pace as the new houses, with the first refurbishments being reported as completed in January 2010. Progress on refurbishments since then, however, has been steady and has begun to exceed target expectations.

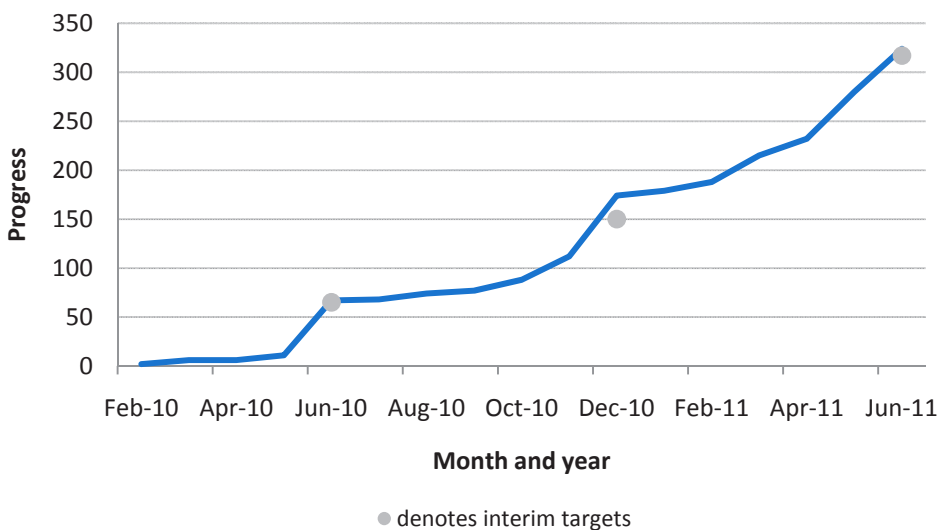
4.18 Work on the first of the new houses to be constructed under the program commenced following approval of the first three packages of works in May 2009. By June 2011, a total of 10 packages had been approved, which will deliver 677 new houses. To meet the current target of 934 new houses by June 2013, further packages covering an additional 257 houses will need to be completed. Since June 2011, preliminary scoping work has commenced on two more packages in preparation for allocation to the alliances. The exact numbers of houses covered by these two packages is not known, as this is determined through the package development process. As noted in Chapter 3, 150 calendar

days is allowed for the development of the package development report, which is followed by a period of assessment by program management, contract negotiation and approval prior to major works commencing.

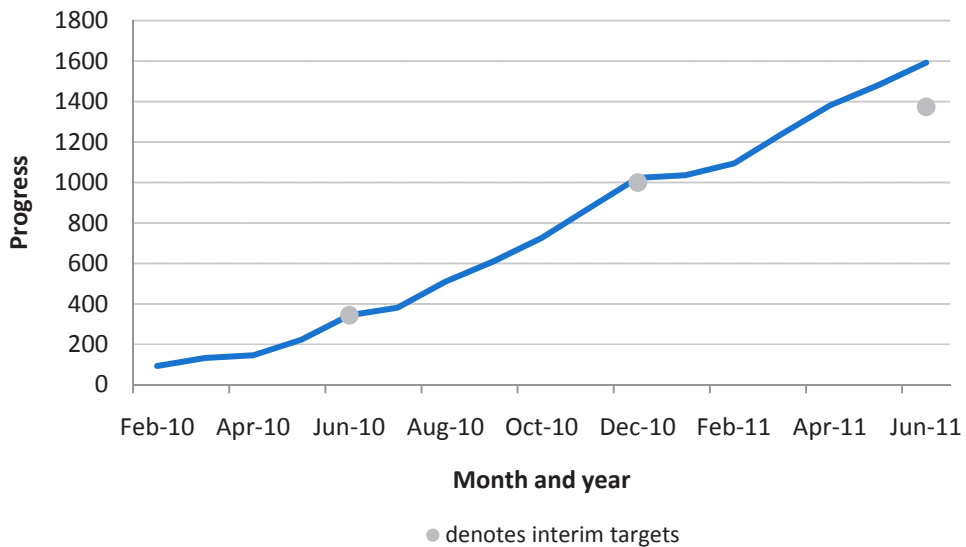
4.19 There are now less than two years remaining to meet the target of 934 new houses. Considering the timeframes required for the package proposal stage, package development stage, contract negotiation and construction, a significant effort is required on the part of the program managers to lock in sufficient packages of works if the targets are to be met.

Figure 4.1

Number of completed new houses monthly progress



Source: FaHCSIA-Progress Reports.

Figure 4.2**Number of rebuilt and refurbished houses by monthly progress**

Source: FaHCSIA-Progress Reports.

Housing data definitions

4.20 To support the reporting of progress against the housing targets, DHLGRS developed and implemented a series of data definitions relating to different stages of the construction process. These definitions are presented in Table 4.2. Primarily, the definitions have been used to support progress reporting. In terms of public reporting of progress, 'practical completion' has been used to determine when houses can be considered completed. Essentially, practical completion occurs when all capital and yard works have been completed and power, sewerage and water connections have been made.

Table 4.2**DHLGRS data definitions**

Construction stage	Definitions
Foundations/earth works completed	Ground cleared, excavating and soil compacting completed as required.
Slabs poured/floors laid	Slabs poured or stumps are set.
Frame, walls, roof in place	All frames, walls and roof in place.
At lock-up	House is structurally complete, windows and doors installed. At a stage to commence internal finishes.
Internal finishes complete	Internal finishes include bathrooms, kitchens, shelving, painting and internal flooring.
At practical completion	All capital works, yard works and cleaning is completed. Essential infrastructure services are connected to the lot boundary.
Practical completion	Date that all capital works, yard works and cleaning are completed. Essential infrastructure services are connected to the lot boundary.
Handed over to DHLGRS	Asset Management Officers inspects and signs off on the house.

Source: DHLGRS.

4.21 Practical completion is a reasonable milestone for reporting purposes, but it does not provide any indication of whether the house is able to be occupied. DHLGRS advised the ANAO that, in practice, houses have not been formally reported as practically complete until all services have been connected to the house and are operational. This is an important aspect of performance, given that the objective of the program is to reduce overcrowding. Revised data definitions were introduced by FaHCSIA as part of the development of the NPARIH National Reporting Framework. This framework established standardised data definitions to be used across all jurisdictions. In line with the National Reporting Framework's data definitions, a new house continues to be considered complete when it reaches the stage of practical completion; however, clearer reference is now made to considering the useability, amenity and safety of the house when assessing whether it can be termed complete. An extract of the data definitions is presented in Table 4.3.

Table 4.3**National Reporting Framework data definitions**

Construction stage	Definitions
Foundations laid	Ground cleared, excavating and compact soil as required, slabs poured or stumps set.
Frame up	Walls and roof framing complete and precursors of these stages i.e. slab/columns complete (commencement of roof and wall cladding/exterior walls).
Lock-up complete	House is structurally complete, external cladding and roof covering fixed, flooring laid, windows and external doors installed. (Commencement of the internal finishes including kitchens, bathroom fixtures and interval flooring).
Practical completion	All capital works are completed. Essential infrastructure services are connected. This item includes ensuring the useability and amenity and making sure there are not safety issues (e.g. open trenches etc).
Tenancy agreement signed	A tenancy agreement between the state and/or territory and the tenant has been mutually agreed and signed under the appropriate residential tenancy acts.

Source: FaHCSIA-National Reporting Framework.

4.22 The 324 houses that have been reported as completed at 30 June 2011, have been assessed against the agreed definitions of practical completion. To obtain an insight into the extent to which completed houses were allowing for improvements in occupancy, the ANAO examined the housing completion information reported by FaHCSIA for the period ending 30 June 2011 and found that of the 324 new houses completed, 270 or 83 per cent of these had been handed over to DHLGRS and made available for tenancy.

4.23 A number of the new houses previously reported as completed in December 2010 are located in a new subdivision in Maningrida. When the ANAO visited Maningrida in late January 2011, the houses had been completed, and power, water and sewage was connected, but the subdivision was a building site with restricted access. An access road had been constructed, but works to complete the road were not expected to commence for several months until the start of the dry season. Flood damage to the partially completed access road, which occurred as a result of a record wet season, was also impacting on completion of the road and other civil works. While an allocation of houses can occur, tenants were not able to occupy the completed houses until such time as the road has been constructed and the site has public access. Figure 4.3 shows construction work still in progress in Maningrida when the ANAO visited in late January 2011.

Figure 4.3

New house subdivisions – Maningrida



Source: ANAO fieldwork.

4.24 In addition to making an assessment of performance based on whether a house has been tenanted or not, a further relevant measure is the elapsed time between practical completion and actual occupancy. The ANAO was informed that the average elapsed time from completion to occupancy was 20 days. However, property and tenancy management data supplied to the ANAO did not allow for verification of this information. The implementation of property and tenancy management arrangements for public houses in remote Indigenous communities is discussed in the next section.

Progress in implementing property and tenancy management arrangements

4.25 Property and tenancy management is a core aspect of the NPARIH with approximately \$465 million available to the Northern Territory Government to support property and tenancy management reform. Property and tenancy management is viewed as being essential to the achievement of the long-term objectives and outcomes of the NPARIH in the Northern Territory. In particular, the implementation of effective property and tenancy management arrangements contributes to the availability of safe and adequate housing in remote Indigenous communities. Accordingly, the Northern Territory implementation plan includes targets to have revised tenancy management and maintenance arrangements in place by June 2010. Implementing property and tenancy management arrangements is the operational responsibility of DHLGRS and there is no direct involvement by FaHCSIA officers under the joint management arrangements that exist for capital works.

Tenancy management

4.26 The core aspects of tenancy management have been the introduction of tenancy agreements under the Northern Territory *Residential Tenancies Act 1999* and the remote rent framework. DHLGRS advised that, as at May 2011, it had in place 4004 tenancy or occupancy agreements⁶⁷ relating to dwellings in remote Indigenous communities. This number is expected to significantly increase over the next two years with a large increase in the number of new, rebuilt and refurbished houses becoming available.

Property inspections

4.27 One of the NPARIH performance indicators relates to the inspection of dwellings through a standard property inspection regime. Dwelling or property condition assessments are to be undertaken on a quarterly basis by locally engaged shire council and DHLGRS officers. The inspections are focused on whether the tenant is maintaining a clean, healthy and safe living environment. The department is striving to develop sustainable tenancies and, as such, additional tenancy support can be arranged for tenants where issues are identified. An inspection framework is in place to identify tenancy-related issues and implement appropriate remedial action, whether this is tenant support, repairs and maintenance or other courses of action. Progress reporting in this area has been limited, but should improve following the implementation of the NPARIH national reporting framework from early 2011.

Tenancy support services

4.28 Tenancy support services are essential to the sustainability of tenancies in remote Indigenous communities. These services support tenants to understand their obligations as public housing tenants and what they should expect from DHLGRS as a landlord. The department is implementing three levels of tenancy support: basic, intensive and living skills. Tenancy support is available to tenants and/or occupants and their families on an ongoing basis. By early May 2011, tenancy support services had been provided to the occupants of 1400 houses transitioning from occupancy agreements to formal tenancy agreements. Extending the living skills program to all tenants and

⁶⁷ Tenants moving into new or refurbished dwellings are required to enter into a tenancy agreement. Other dwellings in remote Indigenous communities in the Northern Territory are required to have in place an Occupancy Information Document, generally referred to as an occupancy agreement.

prospective tenants, as envisaged in the NPARIH, would be useful in further developing sustainable tenancies in remote Indigenous communities in the Northern Territory.

Property management

4.29 A program of ongoing repairs and maintenance that is linked to tenant reporting of faults, and an asset inspection program, is critical to extending the life cycle of remote Indigenous housing in the Northern Territory and is an expected output under the NPARIH. Following the completion of construction works under the program, all houses are inspected as part of the asset handover process. At that time, any additional work which may be required as part of the repairs and maintenance program is identified. Two asset inspections are to be undertaken each year; this assists with identifying changes in the condition of the property and maintenance requirements. For new, rebuilt and/or refurbished houses these asset inspections are also used to identify defects that are to be addressed as part of the defects and liability period.

4.30 From 1 July 2008 to 30 June 2010, repairs and maintenance services for remote Indigenous housing were delivered by the shire councils on behalf of the Northern Territory under a grants funding model. With the introduction of the Remote Public Housing Management Framework there has been a change in the business model, with DHLGRS establishing service-level agreements with the shires for property and tenancy management. Service-level agreements have been introduced with the aim of improving the services provided to communities. Some of these services are to be provided by local Indigenous people. The NPARIH establishes local Indigenous employment targets for the both the construction phase of program and ongoing tenancy management.

Progress against the NPARIH local Indigenous employment targets

4.31 Local Indigenous employment is another key expected output of the NPARIH. The performance indicator targets and reported progress to 2010–11 is presented in Table 4.4. The reported progress indicates that the local Indigenous employment targets are being exceeded.

Table 4.4**Indigenous employment outcomes**

Target	2008–09	2009–2010	2010–2011
20 per cent local Indigenous employment – for major construction and housing refurbishments by 2011	–	37 per cent ¹	34 per cent ¹
40 per cent for tenancy management by 2011	–	Not available	Not available

Source: FaHCSIA-Northern Territory Implementation Plan and Progress Reports.

Note 1: Information reported is total Indigenous employment.

4.32 As part of the audit, the ANAO examined the underlying methodology used to calculate progress against the local Indigenous employment targets. The methodology is based on the allocation of Indigenous persons employed to a broad-banded full-time employment structure developed by DHLGRS. Based on the hours worked in one week, an Indigenous employee is allocated to one of the following four categories:

- 1–10 hours worked=0.25 full-time equivalent;
- 11–26 hours worked=0.50 full-time equivalent;
- 27–37 hours worked=0.75 full-time equivalent; and
- 38–hours and above=1.0 full-time equivalent.

4.33 Using a broad-banded approach creates the potential for understating or overstating the actual hours worked. The ANAO considers that allocating actual hours worked to the four broad-banded full-time equivalent categories could lead to the under or over-statement of progress against the target and may not be the most effective way to measure local Indigenous employment outcomes. For example, two people each working 11 hours per week would be counted as one full-time equivalent, as would one person working 38 hours or more. Information on the actual hours worked by each person is available, as it is collected by the alliance partners for payroll processing purposes. Using actual hours worked would provide a higher degree of reporting accuracy in calculating the average full-time equivalent. As an interim measure, there would be value in comparing the actual hours worked for a sample of local Indigenous employees to the broad-banded categories for the same period, to check the extent to which broad-banding is providing a sufficiently accurate assessment.

4.34 The reporting of Indigenous employment data would also be improved through the use of clearer definitions. The performance indicator and baseline measures in the Northern Territory implementation plan relating to Indigenous employment include references to 'local housing related jobs' and 'local Indigenous employment'. However, only total Indigenous employment, which includes local Indigenous persons and other Indigenous employees, is reported. The program had no systematic approach to distinguishing between local Indigenous employment and total Indigenous employment. Sub-contractors are also included in the calculation of Indigenous employment outcomes.

4.35 As part of the recently developed NPARIH National Reporting Framework, jurisdictions will be required to report a broader set of employment and training data that should make the reported information more coherent and support further analysis of Indigenous economic participation, including the extent to which longer term employment results are achieved.

Population growth, mobility and its impact on overcrowding

4.36 Significantly reducing severe overcrowding in remote Indigenous communities is one of the objectives and expected outcomes of the NPARIH. The program's ability to achieve this objective will be influenced by the demographic characteristics of, and changes in, the Indigenous population. In Australia the Indigenous population is growing at a higher rate than the general population. Between 1991 and 2006 the Indigenous population increased by an average of 2.6 per cent per year, compared with 1.2 per cent for the total Australian population.⁶⁸

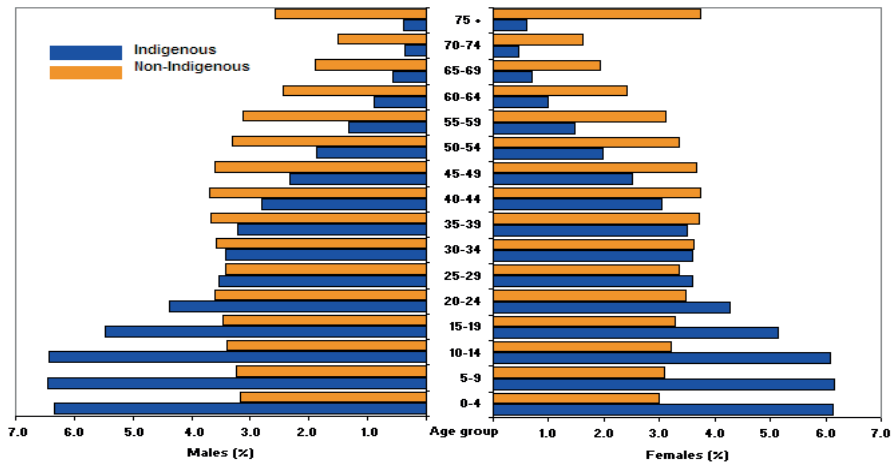
4.37 The Northern Territory has the largest Indigenous population at 66 582, which is 32 per cent of the total population of the Northern Territory. The 2006 Census of Population and Housing conducted by the Australian Bureau of Statistics (ABS) identified that 79 per cent of the Indigenous population living in the Northern Territory reside in remote and very remote areas. The Indigenous population is characterised by a youthful age structure, and

⁶⁸ Australian Bureau of Statistics, *Experimental Estimates and Projections, Aboriginal and Torres Strait Islander Australians, 1991 to 2021*, cat no. 3238.0, Australian Bureau of Statistics, 2009, p. 8.

international experience indicates that the existence of a youthful age structure is a strong predictor of rapid population growth.⁶⁹ Figure 4.4 highlights that in 2006, half of all Indigenous Australians were aged 21 years or under, while children aged less than 15 years comprised 38 per cent of the Indigenous population.

Figure 4.4

Estimated Australian resident population by age group



Source: ABS cat no.4713.0.

4.38 Population growth presents a key challenge in meeting remote Indigenous housing need. The Indigenous population in the Northern Territory is projected to increase by an average of 1.7 per cent per year between 2006 and 2021.⁷⁰ ABS population projections in the Northern Territory over the period that the NPARIH will operate are detailed in Table 4.5.

⁶⁹ United Nations, *Population, Development and HIV/AIDS with Particular Emphasis on Poverty, The Concise Report*, 2005, United Nations: New York.

⁷⁰ Australian Bureau of Statistics, *Experimental Estimates and Projections, Aboriginal and Torres Strait Islander Australians, 1991 to 2021*, cat no. 3238.0, 2009, p. 46.

Table 4.5**Projected Indigenous population in the Northern Territory, 2009–2018**

Year ended 30 June	Population	Population living in remote and very remote areas – 79 per cent of the population (as calculated by the ANAO)
2009	67 475	53 305
2010	68 661	52 242
2011	69 855	55 185
2012	71 054	56 132
2013	72 264	57 088
2014	73 487	58 054
2015	74 721	59 029
2016	75 965	60 012
2017	77 222	61 005
2018	78 492	62 008

Source: ABS cat no.3238.0.

4.39 If the average Indigenous population growth rate of 1.7 per cent holds over the 10 years of the NPARIH, then the estimated Indigenous population in the Northern Territory could grow to 78 492 by 2018. Accordingly, just over 8700 additional Indigenous people could be living in remote and very remote areas if previous trends of geographic distributions are maintained.

4.40 The NPARIH Northern Territory implementation plan reflects a baseline measure for occupancy of 10.7 persons per dwelling with a target occupancy rate of 9.3 persons per dwelling. The habitable dwelling benchmark for the Northern Territory under the NPARH is 5843 habitable dwellings by 2018 with 5321 to be habitable by 2012–13. To accommodate the projected Indigenous population of the Northern Territory living in remote areas, a significantly larger number of houses would need to be provided under the NPARIH if the target occupancy rate is to be achieved.

4.41 The mobility patterns of Indigenous people also impact on overcrowding. Research undertaken by the Centre for Aboriginal Economic Policy Research identified a significant positive association between a change

in the rate of overcrowding and the corresponding net migration rate.⁷¹ Between 2001 and 2006, movement of Indigenous people from more remote areas to less remote areas was observed. Australian and Northern Territory Government policy is also supporting the development of larger, more economically viable communities, which will have better services, amenities and more opportunities for private and government investment. Consequently, over time, the population of these communities could be expected to grow, which could place additional pressure on Indigenous public housing in these communities and regional centres.

Conclusion

4.42 By 30 June 2011, progress had been made in all major areas of program implementation with total program expenditure of \$810.9 million, including expenditure under SIHIP which preceded the NPARIH. The revised housing targets for the program developed in late 2009 have been met or exceeded, with the construction of 324 new houses and the rebuilding or refurbishment of 1592 existing houses by 30 June 2011. This is a positive achievement. However, under the original NPARIH implementation plan, prior to the development of the joint management arrangements, a total of 383 new houses were to have been built by 30 June 2011. Therefore, while implementation has been made more effective, the governments had not made up the progress lost in the initial stages of the program.

4.43 The number of new houses being constructed in 2011–12 and 2012–13 is expected to increase, which will be necessary if the accelerated interim target of 934 new houses by 30 June 2013 is to be achieved. Packages have been allocated that will allow for the delivery of a total of 677 new houses by 2012–13, but further packages covering an additional 257 new houses will need to be scoped and approved during 2011–12, to allow sufficient time for the additional houses to be constructed. In the remaining years of the program to 30 June 2018, in total, 1132 new houses will need to be constructed and 1323 houses will need to be rebuilt or refurbished, if the Northern Territory Government is to achieve its NPARIH targets of 1456 new houses and 2915 rebuilt or refurbished houses.

⁷¹ Biddle N, *The scale and composition of Indigenous housing need, 2001–06*, Centre for Aboriginal Economic Policy Research, Working Paper No.47/2008, p. 8.

4.44 At this stage of program implementation, FaHCSIA and DHLGRS have focused on publicly reporting the number of new, rebuilt and refurbished houses completed. However, noting the shared responsibility of both governments for the achievement of the NPARIH objectives and outcomes, there would be benefit in publicly reporting on the number of houses that have been handed-over and tenanted, and the time between completion and occupancy, as this would provide a reflection of how well the construction element of the program has been integrated with the tenancy element to assist in achieving the objective of reducing overcrowding. There would also be benefit in reporting on the proportion of houses meeting applicable housing standards, and the level of improvement in housing amenity. This data is available from property and tenancy management information systems, maintained by DHLGRS.

4.45 Property and tenancy management is a core aspect of the NPARIH with approximately \$500 million available to the Northern Territory Government to support property and tenancy management reform. Implementation of property and tenancy management arrangements is designed to assist with the sustainability of remote Indigenous housing, which contributes to the objectives and outcomes of the NPARIH. The Northern Territory Government has implemented, from 1 July 2010, tenancy management arrangements similar to its urban public housing framework. These arrangements include standardised tenancy management, property and dwelling inspections, tenancy support, and a program of ongoing repairs and maintenance.

4.46 Local Indigenous employment is also an area where progress could be better measured and reported. Currently, FaHCSIA and DHLGRS measure and report on total Indigenous employment. To align the measurement and reporting of outcomes in this area with the NPARIH performance indicators and benchmarks, and to support greater public understanding of achievements, a clearer distinction should be drawn between local and total Indigenous employment.

4.47 Improving the supply and quality of housing is likely to contribute to the achievement of the program's overall objective of improving living conditions in remote Indigenous communities. However, the combination of a relatively young population, high fertility rates and movement of people to larger communities with better access to government services and economic development opportunities, will influence the extent to which living

conditions are improved. It is likely that to achieve the NPARIH average occupancy target for the Northern Territory of 9.3 persons per dwelling, the remote Indigenous housing stock in the Northern Territory will need to be further increased, above the level anticipated in the NPARIH.



Ian McPhee

Auditor-General

Canberra ACT

10 November 2011

Appendices

Appendix 1: Formal comments on the proposed report

FaHCSIA response



Australian Government
Department of Families, Housing,
Community Services and Indigenous Affairs

Finn Pratt PSM
Secretary

Mr Ian McPhee
Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Mr McPhee *Ian*

Thank you for the opportunity to provide a formal response on the Section 19 Report on the Implementation of the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in the Northern Territory.

I am pleased that the report acknowledges the progress that has been made by the Australian and Northern Territory Governments in implementing the NPARIH in the Northern Territory. In particular, I would agree that the joint management arrangements have had a positive impact on the delivery of outcomes under the Program since the review of the Strategic Indigenous Housing and Infrastructure Program in August 2009.

FaHCSIA accepts the three recommendations made in the Report and will work in partnership with the Northern Territory Government to implement these recommendations in a timely way. Some additional comments in relation to each recommendation are provided at **Attachment A**.

In responding to the Report, it is appropriate to acknowledge that through NPARIH the Australian Government is providing \$5.5 billion nationally over ten years to help address overcrowding, homelessness and poor housing condition for remote Indigenous communities. Since the commencement of NPARIH, more than 840 new houses have been completed and a further 3,300 houses have been rebuilt and refurbished nationally.

In the Northern Territory the NPARIH will provide \$1.7 billion over 10 years. This is the largest investment ever made in Indigenous housing in the Northern Territory. The program remains on target to build 934 new houses and to complete 2915 rebuilds and refurbishments by the end of June 2013. Already, more than 340 new houses and 1,780 rebuilds and refurbishments have been completed. These works are improving the quality of life for Indigenous families in more than 80 communities and town camps across the Northern Territory.

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These works have delivered better housing for thousands of Indigenous Australians in remote locations across Australia. In addition to housing investment, the Australian, State and Northern Territory Governments have also put in place secure land tenure arrangements as a pre-condition for this investment, so that responsibilities are clear. In addition, standard tenancy management arrangements are also being put in place so that rents can be collected and repairs and maintenance carried out.

The recommendations made in the Report will assist the Department to further improve our delivery of this important government initiative. As you are aware, improved housing is central to broader government efforts to help close the gap in outcomes for Indigenous people. I look forward to advising you of our progress against the recommendations in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Finn Pratt', with a stylized flourish at the end.

Finn Pratt

17 October 2011

Attachment A

Recommendation 1

'To support a clear understanding of the operational role of FaHCSIA in the remaining implementation of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA articulates its role and responsibilities in relation to program implementation and delivery, and identifies the conditions, which when achieved, would support the reduction in its existing level of operational support.'

FaHCSIA agrees with the recommendation and will take appropriate steps to further clarify the roles and responsibilities of its officers working in joint management with the Northern Territory Government for delivery of the NPARIH.

Recommendation 2

'To inform the Senate and the Australian Parliament of progress towards the outcomes and objectives of the NPARIH, the ANAO recommends that FaHCSIA develops and reports publicly on an intermediate set of relevant outcome-based performance indicators, in addition to the current reporting on program outputs.'

FaHCSIA agrees with the recommendation. The Department notes, however, that the NPARIH sits within the framework of the Intergovernmental Agreement on Federal Financial Relations. The agreement to an intermediate set of relevant outcome based performance indicators would need to be consistent with this Agreement and would require the Agreement of the Northern Territory Government. They would also need to be agreed with the other jurisdictions who are a party to NPARIH before they could be measured and reported on nationally.

Recommendation 3

'In view of the public interest in the program and to inform the Senate and the Australian Parliament about whether value for money is being achieved in the delivery of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA publicly reports on key program information, including the planned and actual costs, on completion of each package, and the total program cost compared to the allocated NPARIH funding and other funding sources as appropriate.'

FaHCSIA agrees with the recommendation noting that the Department has previously publicly committed to providing the average unit cost for new houses, rebuilds and refurbishments following the completion of each package. As acknowledged in the Section 19 Report, the Australian and Northern Territory Governments have pursued multiple interrelated strategies to make certain that value for money is being achieved through NPARIH and that the required program objectives and outcomes are being met. The Department will continue to work closely with the Northern Territory Government to ensure that value for money continues to be achieved through the Program.

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DHLGRS' response



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HOUSING, LOCAL GOVERNMENT AND
REGIONAL SERVICES

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Mr Andrew Pope
Group Executive Director
Indigenous Programs
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Pope

Thank you for the opportunity to respond to your audit report and recommendations relating to the Implementation of the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in the Northern Territory dated 16 September 2011.

The Northern Territory Government is committed to improving housing and employment outcomes for Indigenous people in remote communities and is now making significant inroads in the delivery of housing construction and remote public housing reforms supported under NPARIH. Territory Housing manages approximately 4500 remote public houses across 73 remote communities, town camps and community living areas. Construction works are now complete in over 40 communities and continuing in a number of communities and town camps, to date 600 new houses and 1816 rebuilds and refurbishments have been completed or are underway. A target of 20% has been set for Indigenous employment across the Program, with over 30% of the workforce the current Indigenous participation since commencement.

I would like to highlight that since the audit was conducted and report prepared, several of the areas for improvement identified in the audit report have been progressed, including review and implementation of revised governance frameworks and tools, the recruitment of a Quality Manager and development of a formalised handover documentation process.

Structure of management arrangements and governance frameworks demand ongoing consideration for a complex program of the scale and complexity as that now being delivered under NPARIH.

As your audit has found, the joint program management arrangement in place since the August 2009 Review of the Program with my Department and FaHCSIA staff, has led to a sound base for practical collaboration and has assisted in overcoming many of the issues that can arise in inter-jurisdictional partnerships. The post review arrangements have strengthened the role of the Joint Steering Committee with greater direct involvement in the actual program delivery by the Australian Government.

The construction program is delivering on an unprecedented scale and the roll out of remote housing management reforms are now well underway. This progress provides the opportunity to again consider optimum governance structures for the delivery of NPARIH in the Northern Territory, including the option to reduce the operational support in the program currently being provided by FaHCSIA.

I provide the following response to the audit report's specific recommendations:

Recommendation 1 – *To support a clear understanding of the operational role of FaHCSIA in the remaining implementation of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA articulates its role and responsibilities in relation to program implementation and delivery, and identifies the conditions, which when achieved, would support a reduction in its existing level of operational support.*

A massive step-change in existing remote housing functionality across the Territory and new housing and infrastructure in the largest remote Indigenous communities has occurred as a result of the current program delivery model.

It is agreed, given the stage the program is now at, that it is timely for my Department and FaHCSIA to again review the roles and responsibilities of both jurisdictions in the delivery of the program and discuss possible conditions, that when achieved, would support a reduction in current operational support provided by FaHCSIA.

Recommendation 2 – *To inform the Senate and Australian Parliament of progress towards the outcomes and objectives of the NPARIH, the ANAO recommends that FaHCSIA develops and reports publicly on an intermediate set of relevant outcome-based performance indicators, in addition to the current reporting on program outputs.*

Additional reporting on an intermediate set of relevant outcome-based performance indicators is supported.

My Department reports regularly to the Parliamentary Committee - The Council of Territory Cooperation on various aspects of performance, ensures monthly updates on construction progress are reported broadly on my department's website and reports annually in Budget Papers and the Department's Annual Report achievement against key performance deliverables in Remote Housing.

The extension of the available public data to other aspects of performance under NPARIH in the Territory, including the remote housing management reforms would

need to be considered in the context of the joint management arrangements currently in place with the Australian Government. Given that the NPARIH is a national agreement, the Australian Government would need to consider the cross-jurisdictional consistency related to relevant outcomes based performance indicators that all jurisdictions involved in the NPARIH would be required to report on. My department would be pleased to participate in this regard with the Commonwealth to ensure more information about the outcomes achieved under the NPARIH is more publicly available.

Recommendation 3 – *In view of the public interest in the program and to inform the Senate and the Australian Parliament about whether value for money is being achieved in the delivery of the NPARIH in the Northern Territory, the ANAO recommends that FaHCSIA publicly reports key program information, including the planned and actual package costs, on completion of each package, and the total program cost compared to the allocated NPARIH funding and other funding sources as appropriate.*

In keeping with commitments made by the Australian Government, my department will work with our FaHCSIA colleagues to ensure that there will be public reports on actual package costs, including an average unit cost for new, rebuilt and refurbished houses in each package, on completion of each package.

My Department is committed to providing an accountable delivery of the construction program. I appreciate that there has been some frustration by stakeholders that detailed financial information has not yet been available on an interim basis and as such I look forward to the finalisation of packages so that this commitment can be met.

My Department will continue to work closely with our Australian Government partners in the implementation of NPARIH to deliver significant improvement in housing conditions for remote community residents across the Northern Territory.

Thank you again for the opportunity to comment on your audit report and please do not hesitate to contact me on 8999 8472 should you wish to further discuss my comments.

Yours sincerely



KEN DAVIES
17 October 2011

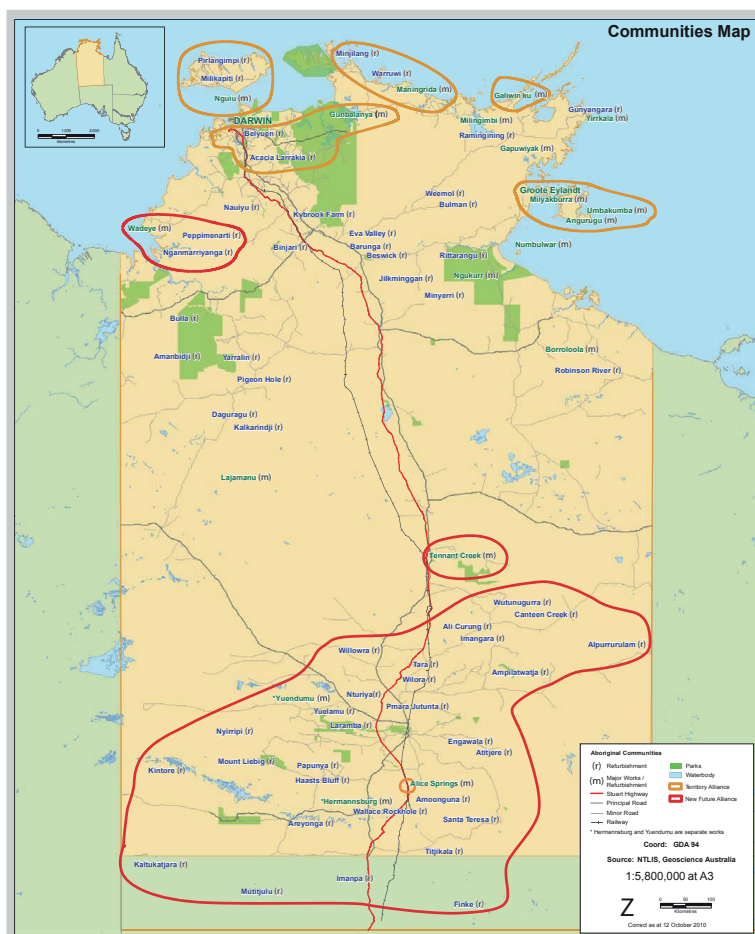
Appendix 2: Recent history of Indigenous housing in the Northern Territory

Date	Key events	Description
April 2005	Signing of an Overarching Agreement on Indigenous Affairs	The Australian and Northern Territory Governments signed an Overarching Agreement on Indigenous Affairs which set out a framework for more specific bilateral agreements to be negotiated.
October 2005	New directions in Indigenous Housing Policy announced	The Australian Government announced a new direction in Indigenous Housing Policy focusing on funding land tenure mainstreaming public housing, providing opportunities for home ownership and engaging the private sector in the development of Indigenous Housing.
December 2005	Signing of the Indigenous Housing and Infrastructure Agreement 2005–2008	The Indigenous Housing and Infrastructure Agreement 2005–2008 was the first agreement to come out of the April 2005 process. This agreement brought together Australian and Northern Territory Government funds and programs. It also integrated the Northern Territory Housing component of the National Aboriginal Health Strategy into the Northern Territory Indigenous Housing Program.
October 2006	Northern Territory Chief Minister announces package of measures to improve housing outcomes for Indigenous people in the Northern Territory	<p>The Northern Territory Government moved to a public housing model in remote communities. A commitment was made that houses would be centrally managed with tenancy management and repairs and maintenance delivered at a regional level. To meet this housing commitment, a stronger construction investment was made and systems relating to tenancy management and asset management were to be established. The new model was to be delivered by Territory Housing within the existing housing management framework.</p> <p>Key objectives of the new model include: creation of pathways for remote tenants to be able to purchase their home; delivery of more housing at less cost of build; better management of housing; and support for Indigenous employment.</p>
September 2007	Signing of Memorandum of Understanding (MOU) between Australian and Northern Territory Governments	The Australian and Northern Territory Governments signed a MOU on Indigenous Housing, Accommodation and Related Services, \$793 million was committed over four years under the MOU to improve housing standards and close the gap in Indigenous disadvantage in the Northern Territory.

Date	Key events	Description
April 2008	Announcement of landmark housing program, the Strategic Indigenous Housing and Infrastructure Program (SIHIP)	The Australian and Northern Territory Governments announced the establishment of SIHIP which took forward arrangements made under the MOU. Under SIHIP \$672 million was committed to deliver new and upgraded houses.
October 2008	Announcement of Alliance Contracting Methodology as preferred contracting model	The Australian and Northern Territory Governments announced the details of three building consortia to undertake construction works in communities.
January 2009	Introduction of the National Partnership Agreement for Remote Indigenous Housing (NPARIH)	As part of the changes that came about through the change in Government in 2007 and the significant reform of the federal financial framework, the Council of Australian Governments (COAG) committed \$5.5 billion as part of the NPARIH. This agreement is a 10-year funding strategy. The Northern Territory secured the largest portion of funding, \$1.7 billion over 10 years. The NPARIH subsumed arrangements made under the MOU and SIHIP.
August 2009	Review of Program Performance by the Australian and Northern Territory Governments	The review was conducted by senior officers from FaHCSIA and the Northern Territory Government. The review made six key recommendations. Key changes to the program included revision of construction parameters and costing assumptions and a much greater involvement of Australian Government officials in the implementation and delivery of the program.
December 2009	Renegotiation of the NPARIH	COAG agreed to the renegotiation of the NPARIH to ensure a stronger performance focus that provides incentives for jurisdictions to deliver capital works activity on time and within agreed budgets. From July 2010, capital works funding will be allocated through a biennial project-based competitive bids process.
March 2010	SIHIP post review assessment was released	A post review assessment undertaken by independent consultants to FaHCSIA found that recommendations made in the August 2009 review had or were on their way to being implemented and that the program was on track to meet its targets.
June 2010	The Auditor-General for the Northern Territory's SIHIP report is tabled and released	The review flagged management control systems as a factor which led to the difficulties faced by the program. While work on management control systems was noted as being incomplete, it was also noted that work was continuing to rectify them.

Date	Key events	Description
June 2010	Senate Motion 793 passed	During the final stages of the Northern Territory Auditor-General's audit of SIHIP Senate Motion 793 was passed requesting the Auditor-General to undertake an audit into 'waste and mismanagement' in SIHIP.

Appendix 3: Northern Territory—proposed package boundaries as at 30 June 2011



working together to help make communities safer and healthier

Source: DHLGRS.

Appendix 4: Senate Motion 793 and report cross reference

INDIGENOUS AUSTRALIANS—STRATEGIC INDIGENOUS HOUSING AND INFRASTRUCTURE PROGRAM

Senator Parry, at the request of Senator Scullion and pursuant to notice of motion not objected to as a formal motion, moved general business notice of motion no. 793—

- (1) That the Senate requests the Auditor-General to undertake an urgent investigation of waste and mismanagement of the Strategic Indigenous Housing and Infrastructure Program (SIHIP), with regard to:
 - (a) whether value for money is being achieved with the construction and renovation of houses, particularly:
 - (i) the project management, administration and supervision costs being charged by the Alliance partner for houses renovated by subcontractors,
 - (ii) whether renovated houses are meeting minimum applicable housing standards as stipulated by the Northern Territory Government upon handover,
 - (iii) what financial penalties have been applied for any houses that have failed to meet applicable standards or have had defects noted upon handover, and how was any remedial work paid for,
 - (iv) how the guaranteed profit margin for Alliance partners is calculated and does this represent value for money for taxpayers, and
 - (v) the comparison of actual construction costs of new and renovated houses through SIHIP compared with industry standard costs;
 - (b) whether the Commonwealth Government is exercising sufficient supervision of the Northern Territory Government over the administration and implementation of SIHIP in order to prevent mismanagement and minimise waste;
 - (c) the adequacy of tenancy arrangements and mechanisms in place for the Northern Territory Government to manage public housing stocks under SIHIP; and
 - (d) any other examples of waste and mismanagement by either the Commonwealth or the Northern Territory Governments in

relation to this program that the Auditor-General deems relevant.

- (2) That the Auditor-General is requested to respond in a timely manner in order for the public to be fully informed of the program in advance of further parliamentary scrutiny of the issue.

Cross reference to Senate Motion 793

The following table provides a reference between key issues identified in Senate Motion 793 and the audit report.

Key issues	Chapter
Project management and overall program administration including the role of the Australian Government and FaHCSIA in program implementation and delivery.	Chapters 2, 3 and 4
Operation of the alliance model including the pain-and-gain-share arrangements linked to program delivery performance.	Chapters 1 and 3
Scope of works, cost of construction in the Northern Territory under the NPARIH and value-for-money considerations.	Chapters 1 and 3
Operation of the quality assurance arrangements.	Chapter 3
Implementation of standardised tenancy management arrangements.	Chapter 4
Overall progress of the program.	Chapter 4

Appendix 5: National Indigenous Reform Agreement—service delivery principles

Principles

- D1 *Priority principle:* Programs and services should contribute to Closing the Gap by meeting the targets endorsed by COAG while being appropriate to local community needs.
- D2 *Indigenous engagement principle:* Engagement with Indigenous men, women and children and communities should be central to the design and delivery of programs and services.
- D3 *Sustainability principle:* Programs and services should be directed and resourced over an adequate period of time to meet the COAG targets.
- D4 *Access Principle:* Programs and services should be physically and culturally accessible to Indigenous people recognising the diversity of urban, regional and remote needs.
- D5 *Integration principle:* There should be collaboration between and within Governments at all levels and their agencies to effectively coordinate programs and services.
- D6 *Accountability principle:* Programs and services should have regular and transparent performance monitoring, review and evaluation.

Principles in Detail

- D7 *Priority principle:* Programs and services should contribute to Closing the Gap by meeting the targets endorsed by COAG while being appropriate to local community needs. The COAG targets are:
 - (a) close the 17 year life expectancy gap within a generation;
 - (b) halve the gap in mortality rates for children under five within a decade;
 - (c) halve the gap in reading, writing and numeracy within a decade;
 - (d) halve the gap in employment outcomes and opportunities within a decade;
 - (e) at least halve the gap for Indigenous students in Year 12 or equivalent attainment rates by 2020; and
 - (f) within five years provide access to a quality early childhood education program to all Indigenous four year olds in remote Indigenous communities.

- D8 *Indigenous engagement principle:* Engagement with Indigenous men, women and children and communities should be central to the design and delivery of programs and services. In particular, attention is to be given to:
- (a) recognising that strong relationships/partnerships between government, community and service providers increase the capacity to achieve identified outcomes and work towards building these relationships;
 - (b) engaging and empowering Indigenous people who use Government services, and the broader Indigenous community in the design and delivery of programs and services as appropriate;
 - (c) recognising local circumstances;
 - (d) ensuring Indigenous representation is appropriate, having regard to local representation as required;
 - (e) being transparent regarding the role and level of Indigenous engagement along a continuum from information sharing to decision-making; and
 - (f) recognising Indigenous culture, language and identity.
- D9 *Sustainability principle:* Programs and services should be directed and resourced over an adequate period of time to meet the COAG targets. In particular, attention is to be given to:
- (a) service system orientation, particularly:
 - (i) using evidence to develop and redesign programs, services and set priorities;
 - (ii) recognising the importance of early intervention; and
 - (iii) including strategies that increase independence, empowerment and self management;
 - (b) ensuring adequate and appropriate resources, particularly:
 - (i) setting time-frames for meeting short, medium and longer-term targets and outcomes;
 - (ii) considering flexibility in program design to meet local needs;
 - (iii) considering workforce supply and future planning;
 - (iv) considering sustaining or redesigning services to best use existing resources, as well as the need for programs and services to meet the COAG targets;

- (v) minimising administrative red tape to enable greater integration of program and service delivery;
 - (vi) ensuring that programs and services are efficient and fiscally sustainable; and
 - (vii) ensuring that infrastructure is appropriate and adequately maintained;
- (c) building the capacity of both Indigenous people and of services to meet the needs of Indigenous people, particularly:
- (i) developing the skills, knowledge and competencies, including independence and empowerment of Indigenous people, communities and organisations;
 - (ii) supporting Indigenous communities to harness the engagement of corporate, non-government and philanthropic sectors;
 - (iii) building governments' and service delivery organisations' capacity to develop and implement policies, procedures, and protocols that recognise Indigenous people's culture, needs and aspirations;
 - (iv) ensuring that programs and services foster and do not erode capacity or capability of clients; and
 - (v) recognising when Indigenous delivery is an important contributor to outcomes (direct and indirect), and in those instances fostering opportunities for Indigenous service delivery.

D10 *Access Principle:* Programs and services should be physically and culturally accessible to Indigenous people recognising the diversity of urban, regional and remote needs. In particular, attention is to be given to:

- (a) considering appropriate and adequate infrastructure and placement of services (including transport, IT, telecommunications and use of interpreter services);
- (b) minimising administrative red tape that may be a barrier to access; and
- (c) providing adequate information regarding available programs and services.

D11 *Integration principle:* There should be collaboration between and within Governments at all levels, their agencies and funded service providers to

effectively coordinate programs and services. In particular attention is to be given to:

- (a) articulating responsibilities between all levels of government;
- (b) identifying and addressing gaps and overlaps in the continuum of service delivery;
- (c) ensuring services and programs are provided in an integrated and collaborative manner both between all levels of governments and between services;
- (d) ensuring services and programs do not set incentives that negatively affect outcomes of other programs and services; and
- (e) recognising that a centrally agreed strategic focus should not inhibit service delivery responses that are sensitive to local contexts.

D12 *Accountability principle:* Programs and services should have regular and transparent performance monitoring, review and evaluation. In particular, attention is to be given to:

- (a) choosing performance measures based on contribution to the COAG targets and report them publicly;
- (b) ensuring mainstream service delivery agencies have strategies in place to achieve Indigenous outcomes and meet Indigenous needs;
- (c) clearly articulating the service level to be delivered;
- (d) ensuring accountability of organisations for the government funds that they administer on behalf of Indigenous people;
- (e) periodically measuring/reviewing to assess the contribution of programs and services to the above, and adapting programs and services as appropriate;
- (f) clearly defining and agreeing responsibilities of government and communities;
- (g) supporting the capacity of the Indigenous service sector and communities to play a role in delivering services and influencing service delivery systems/organisations to ensure their responsiveness, access and appropriateness to Indigenous people; and
- (h) evaluating programs and services from multiple perspectives including from the client, Indigenous communities and government perspectives and incorporating lessons into future program and services design.

Appendix 6: SIHIP Quality Assurance Survey Report Recommendations—December 2010

Recommendations from the SIHIP Quality Assurance Survey Report December 2010 are reproduced below:

Recommendation 1—Engage a dedicated Quality Manager or Quality Management team: It is recommended that an appropriately qualified Quality Manager or Quality Management team be dedicated to the Program to ensure that the QMS is implemented in accordance with the game breaking targets.

Recommendation 2—Engage an Independent Quality Panel: Previous Alliance contracts have successfully utilised an Independent Quality Panel to provide independent expertise and accountability for the measurement of quality and to enable:

The independent verification of the benchmarks, including any subsequent changes should these prove to be necessary;

Provide independent verification of the procedures for measuring the benchmarks, including auditing arrangements;

Provide a final report to the ALT recommending a final quality score against the established benchmarks; and

Provide ongoing advice throughout the project on quality-related issues to assist the project in obtaining the highest possible quality score for the Program.

It is recommended that these lessons learnt be embraced and the Program consider implementing an Independent Quality Panel and developing the QMS further to provide a Quality Management and Measurement System (QMMS) which effectively measures quality to agreed Alliance and Program standards and parameters. This Panel could also advise the JSC on the assessment of Alliance performance on quality parameters for consideration of allocation of future packages.

Recommendation 3—Review, approve and document ad hoc processes: It is recommended that the ad hoc processes which have been initiated at both Program/Government and Alliance levels should be reviewed, approved and documented as formal procedures within the appropriate controlled Quality Management Plans. Furthermore ITPs and Checklists for new, refurbished and rebuilt dwellings should typically be included as quality control documents

nominated in the Quality Management Plan or program QMMS for the works and handover documentation.

Recommendation 4—Initiate an ongoing Independent, Expert Quality Assurance Program: If Recommendation 2 is not accepted, it is recommended that an independent, expert Quality Assurance Program be initiated which generally aligns with the approach undertaken in this QA survey (capturing the lessons learnt) as a means for:

- assuring Governments and the Program executive (ED5 and JSC) that quality standards are being met or exceeded and
- providing ongoing objective feedback to allow the continual improvement of Quality Plans and Program parameters.

Recommendation 5—Formally document any deviations to the SIHIP design guidelines: Where the Alliance is carrying out works in a manner that is not consistent with the intent of the design guidelines these deviations should be clearly documented per dwelling and approved in accordance with a defined Request for Information process. Where it is not approved, a Non-Conformance notice should be issued to ensure that the anomaly is rectified.

Recommendation 6—Ensure appropriate collection of baseline data: Ensure CAT2 functionality surveys are completed pre and post SIHIP works on existing assets as part of a controlled QA process. A method of streamlining and reporting on data at a strategic program level should also be determined to demonstrate to Government and JSC the level of improvement to condition and functionality of dwellings to the JSC at the completion of each community. This process should also satisfy 'landlord' responsibilities in relation to better defined standards for NT Residential Tenancies Act compliance.

Recommendation 7—Rectify inconsistencies in the Guideline Update: It is recommended that the inconsistencies contained in the Guideline Update should be referred to the Program Technical Support Team for clarification. There is an opportunity at this point in the Program to review the *Guideline Update*, identify any anomalies and reassert this documentation as the key scoping and quality standards for scoping and construction of rebuilds and refurbishments delivered through SIHIP.

Recommendation 8—Develop a controlled system for the scoping, handover and approval procedures: The inconsistencies identified in the scoping of the

refurbished and rebuilt dwellings should be overcome through the application of a single approved and controlled system of scoping and accepting works that aligns with the SIHIP design guidelines and should be undertaken and approved by staff that have been appropriately trained in the quality objectives of SIHIP.

Recommendation 9—Development of site specific scopes of work for Rebuild and Refurbished houses: It is recommended for all future works that all refurbished and rebuilt dwellings have a site specific scope of work developed to ensure that all Priority 1 items are identified and made safe as an objective of the Program. This will further assist in the assessment of the works undertaken against an agreed format and provide a suitable tool to assist in the identification of defects and overall acceptance of these properties.

Recommendation 10—Implementation of a program wide database Document Management Asset Management System: The Program should consider implementing, or assessing and utilising, a Document Management single Asset Management System which utilises a database to capture all key project information. This could be through the establishment of approved standard forms and templates which transfer data in real time and which provide a basis for the interrogation, aggregation, and retrieval and reporting of key information. This system could provide a consistent tool for capturing the agreed scope, costs, photographs, handover documentation, defect lists, defect tracking and the like and would form the basis for a central controlled Program QMMS.

Recommendation 11—Development of a detailed Staging Plan by Package: It is recommended that the Alliances in consultation with the Asset and Tenancy Managers develop a detailed Staging Plan to strengthen Staging Plans for each Package to allow the implementation of works that are unhindered by the presence of tenants where necessarily possible. While this may require the provision of additional or temporary housing and will impose an additional cost on the Program, it is considered good industry practice and the additional housing can be transferred to NTG housing stock on completion of SIHIP.

Recommendation 12—Alliance Leadership Teams to review specific Community and Dwelling report recommendations: All recommendations provided in the Community and Dwelling Reports should be reviewed by the ALT's and in particular all items identified with an associated risk of high or critical should be addressed as a matter of priority. A process should also be considered to verify that similar issues are not present in the dwellings not inspected.

Appendix 7: Extract from FaHCSIA's submission to the ANAO in relation to value-for-money considerations

FaHCSIA's submission to the ANAO in relation to value-for-money considerations is reproduced below:

[FaHCSIA's response] is set in the broader context of the changed Commonwealth/State arrangements agreed by the Council of Australian Governments in January 2009. The NPARIH in the NT is delivering the largest capital works program and transferring the largest proportion of remote tenants to a public housing system in the country. It is a large and complex set of reforms delivering in very remote communities. There are multiple, interrelated strategies to ensure value for money and the required outcomes are being achieved.

National Context

In January 2009, roles and responsibilities between the Commonwealth, States and the NT were clarified when the Australian Government entered into the Inter Governmental Agreement (IGA) and NPARIH. It is important to note that the matters covered by National Partnerships and Agreements generally relate to areas of core government concern and responsibility. They provide for housing, health, education, care and other services in areas where the private market has proven unable to meet the needs of the affected populations. In the case of the NT in particular, no other entity would have more experience, capacity or appreciation of the costs and challenges of delivering sustainable services to the people of the NT; nor would another potential provider be more directly accountable to Australians living in the NT.

The IGA seeks to clarify roles and responsibilities between the Commonwealth, states and territories, including the NT and provide a framework for specific action in identified areas of reform. The Australian Government entered into the NPARIH within the spirit of the IGA, which recognises fundamentally, among other things:

- States and Territories are better placed to deliver many services and have the Constitutional authority to deliver those services;
- governments have mandates and are accountable in their own right and so are subject to their own accountability and governance arrangements, including assessments about value for money, the

quality of services appropriate to the needs of their citizens – and are subject to their own independent audit and review mechanisms;

In line with this understanding, National Agreements and Partnerships under the IGA are performance based and outcomes focused and do not include input controls such as approval of procurement strategies. In addition, under the IGA, Governments agreed to the establishment of the independent body, the Commonwealth Reform Council (CRC), which is charged with reporting on performance of Agreements.

The relevant agreements to consider in this context are the IGA, the National Indigenous Reform Agreement, the National Affordable Housing Agreement (NAHA) and the NPARIH. These agreements recognise that the implementation will be different in each State and Territory as agreed in Implementation Plans between Ministers.

NPARIH commits \$5.5 billion over 10 years to significantly reform the provision of housing in remote Indigenous communities to address overcrowding, homelessness, poor housing conditions and housing shortages. Under NPARIH, the Australian Government is the major funder with responsibility for delivery sitting with jurisdictions. Supporting capital works investment, the Agreement requires substantial reforms: introducing property and tenancy management arrangements to public housing standards; implementing a program of ongoing repairs and maintenance that will progressively increase housing asset life from 7 to 30 years and sets targets for Indigenous employment outcomes. Nationally NPARIH will construct up to 4,200 new houses refurbish around 4,800 houses. Under the Agreement value for money is considered across all outcomes, not just the cost of construction and refurbishment.

In the NT, NPARIH incorporates the pre-existing SIHIP, announced in April 2008. As the jurisdiction with the greatest remote Indigenous population the NT will receive \$1.7 billion in NPARIH funding over the 10 years.

Assessing Value for Money in the Implementation of SIHIP and NPARIH in the NT

A number of strategies are currently employed at a program and package level to ensure the Australian Government is achieving value for money and working to continuously improve contractor performance: The Implementation Plan and Annual Review process; the embedded Australian Government team; the Joint Steering Committee; the financial control framework; regular financial and performance monthly reporting; the NTG's formal agreement with Alliances and their management of these agreements including cost estimators and auditors; the Alliance Leadership Teams; and the overall NPARIH Agreement management which provides us with comparative information from other jurisdictions. There have also been several key points of assessment since the SIHIP agreement in 2007: the initial expert advice on the most appropriate procurement approach; the NT's competitive tender process; the August 2009 SIHIP Review; the analysis against the national competitive bids process in 2010; Post Review Assessments in 2010 and further analysis in March 2011 as part of regular program management. These are discussed in more detail below.

Initial design

Value for money considerations in the implementation of the program commenced prior to the announcement of SIHIP in 2007. Both Governments agreed to consider different procurement methodologies in order to identify a method which would optimise outcomes and address the inefficiencies (including value for money in a whole of asset life consideration) of existing program delivery methods for remote Indigenous housing construction work.

In 2007, FaHCSIA commissioned external consultants Connell Wagner to assess the capacity of various models to deliver new housing construction on a large scale, at a fast pace, for a competitive price and with high quality outcomes as was required in the NT. The study recommended that Strategic Alliancing, using a panel of Alliance Partners, would best achieve the key objectives. These included the ability to drive down prices, reduce delivery times, attract larger national companies with capacity to partner with smaller companies with local expertise, use local labour and engage effectively with the community.

Following this report a comprehensive competitive tendering process was conducted by the NT Government which tested value for money with the

market and resulted in the selection of the Alliance Partners. The Alliance Agreements were developed by the NTG with protections and incentives to deliver value for money including open book pricing, risk sharing and pain/gain share as well as independent cost estimators to review all pricing against industry benchmarks and auditors to review costs claimed.

The SIHIP program established the practice of a Joint Steering Committee with senior representation from both Governments and targets for construction and refurbishment. This model of governance was replicated in other jurisdictions through NPARIH. SIHIP was delivered by the NTG up until August 2009.

August 2009 SIHIP Review

The Review found that the unit costs of housing were being impacted by early efforts being in high cost locations and the special needs of some residents in communities; and that houses were being designed and built to cope with overcrowding. If these costs had been allowed to continue targets would not have been achievable over the life of the Program. The Review concluded the Program needed refocussing to achieve its targets for houses and rebuilds and refurbishments. The procurement method was also considered in the Review. It concluded a change in procurement methodology part way through the implementation of a large scale housing construction program would have resulted in disruption to the program and the potential loss of sunk costs such as the pre-ordering of materials to ensure construction could continue throughout the wet season.

Substantive changes flowed from the Review including joint management with embedded Australian Government staff, average price targets of \$450,000 for a new house, \$200,000 for a rebuild and an average of \$75,000 for a refurbishment with a range of \$20,000 to 100,000 plus contingency. Program management costs charged by the NT were capped to 8%. These price targets ensured delivery of the original SIHIP targets despite the early overruns. To increase visibility and public accountability, targets and timelines were made publicly available.

Post Review Assessment 2010

The PRA confirmed program management costs had been reduced to below 8% following the Review, that appropriate adjustments and systems had been implemented vigorously to deliver the intended program outcomes with sharp focus, stronger program controls and more effective monitoring arrangements introduced.

The PRA recommended bringing forward activity and expenditure to mitigate the risk of future cost escalation and to achieve better value and scale in housing works including repairs and maintenance and refurbishments. This has since been done and announced in late 2010. The PRA further concluded government maintain a commitment to Alliancing in SIHIP and evaluate its effectiveness prior to the end of the Program.

Current Program level strategies to ensure value for money

Implementation Plans and sub-plans provide detail about how each jurisdiction will implement the NPARIH reforms and capital works programs. The IP and sub-plans define the milestone achievement required to trigger release of payments, and reporting to assess achievement of outcomes and outputs.

In the NT, the original Implementation Plan has been reviewed and is currently being adjusted for the accelerated construction program announced in 2010 (as recommended by the PRA to achieve better value and scale in housing works). Sub-plans are reviewed by the JSC and amended from time to time.

A Joint Management Team was formed with the existing NTG staff and an embedded Australian Government team of 15 staff headed by a Senior Executive Staff member. The Joint Management Team (JMT) gives the Commonwealth direct access to the Alliances to enable cost scrutiny at a package and Alliance level, enables oversight at the program level, gives direct information about the circumstances on the ground which might impact on cost structures and value for money; and enables us to manage risk in an active way and to support NTG in their management of the Alliances.

Program and package performance is regularly monitored by the strategic joint governance forum of the Joint Steering Committee. This committee is a monthly forum for substantive discussion and key decision making between senior government officials across all components of NPARIH.

The Budget and Delivery Control Framework agreed by the Joint Steering Committee sets out reporting requirements for the JSC and program and package oversight to identify and manage variances between actual forecasted spending at a package, component and program level to ensure that NPARIH commitments can be delivered.

The Joint Management Team's (JMT) management of Alliance Participation Agreements and Package Alliance Agreements with NTG are key strategies to ensure cost control and value for money. The Agreements include pain/gain share as incentives to deliver against the agreed Total Outturn Cost (TOC), open book pricing enable scrutiny of all costs; qualified quantity surveyors price the work and cost estimators benchmark against industry pricing. In addition, Alliances are required to have stringent Cost Management Plans in place and are subject to regular independent financial audits conducted by KPMG.

Within the JMT each Alliance has a dedicated team to manage the contract and performance of each Alliance. Final Target Outturn Costs are agreed by both Australian and NT Government Alliance Directors. Alliance Leadership Teams comprise senior members of the Alliance and their relevant JMT contract management team to work through issues, drive down costs and agree the detail of each package. For example, New Future Alliance (NFA) submitted costs for works to be completed at Ngukurr. The condition of the houses in this community was very poor relative to other communities and forecast costs were significantly more than the budgeted envelope for this package. Working through the Alliance Leadership Teams with the Quantity Surveyor, costs were refined to achieve a TOC within 1 per cent of the budget and through lateral solutions more houses than initially forecast are now being refurbished.

Efforts to improve contractor performance and program management are ongoing and build on the changes introduced by the 2009 Review and 2010 PRA. An NT team in the Housing Delivery Branch now provides an arm's length assessment of progress by the JMT to the Group Manager and provides parliamentary support.

The NT Implementation Plan agrees to a further procurement review to be conducted in 2011. As previously advised, scoping work on this review is currently occurring. Once the scope and terms of reference have been agreed, documents which outline the review can be provided.

National NPARIH Agreement Management

National NPARIH Agreement Management provides us with comparative information from other jurisdictions. While each jurisdiction has specific circumstances and each has taken a different approach to implementation, there are some areas which can inform our management of the NT Agreement.

Through this Group's representation on JSCs with each jurisdiction we are able to share design, improvements, and risk management strategies across jurisdictions. Further, remote housing issues are regularly discussed at both Housing Ministers' Council and Housing Ministers' Advisory Committee. Exchange of good practice is encouraged and a Remote Housing Practitioners' National Workshop will be convened by the Commonwealth later this year.

Following concerns about slow progress by other States, COAG agreed to a renegotiation of NPARIH in December 2009 to provide for a stronger performance focus through a competitive bid process. Under these new arrangements up to 25 per cent of a jurisdiction's funding can be redirected if agreed targets are not delivered. As part of the 2010 competitive bid process, FaHCSIA engaged an independent consultant to provide expert technical advice to the assessment panel on a range of capital works issues, including value for money. As most jurisdictions had not yet tendered their 2010–11 and 2011–12 capital works programs, this was a forecast estimate of costs. This independent advice noted that broadly speaking the cost of delivering works as outlined by jurisdictions in their bid documentation was reasonable and fairly represented the market conditions prevailing at the time of the bid process.

In consideration of this advice, and the detailed information provided by jurisdictions through their competitive bid templates, the Department concluded that appropriate value for money outcomes were being delivered by jurisdictions through their capital works programs under NPARIH.

In order to ensure value for money on new house construction continued to be considered as part of the roll out of capital works programs the Department engaged the independent consultant again in March 2011, to undertake a follow up assessment of value for money in the three northern states following the tendering of works by these jurisdictions.

The follow up assessment conducted by the consultant had two parts. The first study assessed actual costs for three bedroom remote location homes across ten sites in WA (not a representative sample), QLD and the NT against the cost

of a hypothetical 'average' NT location. The second study assessed initial capital costs for the two main construction styles (steel frame and concrete core filled) used under SIHIP, and the economy of these across a 30 year life span. The studies show that NT construction represents the higher end of costs on the remote housing spectrum but qualified their assessment with the following assumptions and observations:

- (a) Worker's camp living, as required in all NT sites (except Alice Springs), would be approximately 21 per cent higher than sites where alternative accommodation is available within a 50km radius;
- (b) The NT sites included in their study (Maningrida, Gunbalanya and Wadeye) are at the upper band of their predicted range due to factors including site logistics, wet weather, cyclone ratings, labour prices and workforce availability for remote locations;
- (c) The scale and pace of SIHIP requires a tier one contractor capable of managing the delivery of 80–110 houses at a time (the WA and QLD sites had 2–16 houses) and thus incurs greater overheads, demands higher salaries and more sophisticated camp arrangements, and must meet Federal Safety Commission requirements; and
- (d) The pool of available and suitable contractors in the NT is more limited than the smaller developments studied in WA and QLD where lower tier contractors can be used and there is greater competition, smaller margins, lower overheads and lower standard camp accommodation.

This latter study confirmed that any savings generated by a cheaper initial capital cost can be out-stripped by higher on-going recurrent costs and, in relation to remote Indigenous public housing, a fit-for-purpose solution must be constructed.

Costs associated with deficiencies in existing essential services infrastructure is also an important consideration, which was recognised in the National Indigenous Reform Agreement (NIRA). The NIRA notes that important contributors to the unsatisfactory living conditions remote Indigenous people face include inadequate water and sewerage systems, waste collection and electricity. In addition, at Section 39 the NIRA notes that parties are working to develop a Remote Indigenous Infrastructure National Partnership to supplement the NPARIH, following completion of a national audit of municipal and essential services in remote Indigenous communities, as agreed

in the NPARIH. The aim is to implement revised roles, responsibilities and funding arrangements from 1 July 2012.

The national audit of municipal and essential services included a selection of remote Indigenous communities in the NT, including the 15 Remote Service Delivery Communities (RSD). Through this process infrastructure and service delivery was assessed against an agreed minimum set of Base Level Standards, primarily based on Australian regulations, standards and guidelines, as well as the NT Power and Water Corporation (PWC) Indigenous Community Engineering Guidelines.

The audit identified significant infrastructure deficiencies within a number of the audited communities, particularly in relation to water and sewerage infrastructure. For example of the 15 RSD communities, 12 failed against the agreed standard for sewerage infrastructure, with ponds below capacity and overflowing frequently, while the provision of water to all RSD communities failed to meet the standard due to limited water sources and/or storage capabilities. This infrastructure, both headworks and trunk services, has required upgrading or replacement to support housing development in a number of communities targeted for housing development and to comply with NT Power and Water Corporation standards. However as recognised in the NIRA reference regarding a potential separate remote infrastructure National Partnership, the scale of infrastructure issues faced in remote Australia is beyond the scale and scope of the NPARIH to address.

Appendix 8: Lease arrangements in communities identified for major capital works—July 2011

Community	Land Tenure Arrangements	Commencement Date
Alice Springs Town Camps	40 year subleases to the Executive Director of Township leasing (EDTL) for 17 of the 18 Alice Springs Town Camps with acquisition of Ilpeye Ilpeye on 1 February 2010.	December 2009
Borroloola Town Camps	Negotiations in progress.	
Galiwin'ku	Housing Precinct lease (40 years—20:20 with option to renew with Northern Territory Government).	9 October 2009
Gapuwiyak	Housing Precinct lease (40 years—20:20 with option to renew with Northern Territory Government).	19 August 2010
Groote Eylandt (Angurugu, Milyakburra, Umbakumba)	Township lease effective 80 year lease (40:40 with option to renew with EDTL).	5 December 2008
Gunbalanya	Housing Precinct lease (40 years—20:20 with option to renew with Northern Territory Government).	31 August 2009
Hermannsburg	Housing Precinct lease (40 years—20:20 with option to renew with EDTL).	26 November 2009
Lajamanu	Housing Precinct lease (40 years—20:20 with option to renew with EDTL).	26 November 2009
Maningrida	Housing Precinct lease (40 years—20:20 with option to renew).	31 August 2009
Milikapiti and Ranku	In principle agreement (Township lease 99 years with EDTL).	17 May 2010
Milingimbi	Housing Precinct lease (40 years—20:20 with option to renew with Northern Territory Government).	19 August 2010
Nguiu	Township lease (99 years with EDTL).	30 August 2007
Ngukurr	Housing Precinct lease (40 years—20:20 with option to renew with Northern Territory Government).	29 November 2010
Numbulwar	In principle agreement-Housing Precinct lease (40 years—20:20 with option to renew).	2 October 2009

Community	Land Tenure Arrangements	Commencement Date
Pirlangimpi	Negotiations for 99 year Township lease in progress.	
Tennant Creek Town Camps	60 year sublease with the Northern Territory Government—20:20:20 with option to renew with Northern Territory Government.	20 October 2008
Wadeye	Housing Precinct lease (40 years—20:20 with option to renew with Northern Territory Government).	31 August 2009
Yirrkala	Negotiations continuing.	
Yuendumu	Negotiations continuing.	

Source: FaHCSIA.

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