



Australian Government

**Department of Families, Housing,
Community Services and Indigenous Affairs**



**Northern
Territory
Government**

Strategic Indigenous Housing and Infrastructure Program – Review of Program Performance.

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Contents

| | |
|--|----|
| Abbreviations and acronyms | 4 |
| Executive Summary | 5 |
| Introduction | 9 |
| Program of Work..... | 9 |
| Methodology | 9 |
| Background | 11 |
| New Directions for Indigenous Housing in the Northern Territory | 11 |
| Memorandum of Understanding (MOU) on Indigenous Housing, Accommodation and Related Services..... | 13 |
| Establishment of SIHIP | 14 |
| The National Partnership Agreement on Remote Indigenous Housing..... | 16 |
| Current Program..... | 17 |
| Governance of Remote Indigenous Housing in the Northern Territory | 17 |
| Governance of SIHIP..... | 17 |
| Development and Approval of Works | 19 |
| Costs | 20 |
| Program Performance | 21 |
| Governance..... | 21 |
| Unit Cost of Housing..... | 22 |
| Lessons Learnt | 22 |
| New Approaches | 23 |
| Administrative Cost..... | 24 |
| Timing..... | 25 |
| Employment and Workforce Development | 26 |
| Community Consultation..... | 26 |
| Findings, Actions Taken and Recommendations..... | 28 |

| | |
|---|----|
| Findings | 28 |
| Actions Taken | 32 |
| Recommendations | 34 |
| <i>Attachments</i> | 35 |
| Major Works and Refurbishment Communities | 36 |
| Alliance Partners and their members | 37 |
| SIHIP Communities Map..... | 38 |
| Construction Activity 2004 - 2009..... | 39 |
| Revised Program Budget | 40 |

Abbreviations and acronyms

| | |
|-------|---|
| COAG | Council of Australian Governments |
| GBE | Government Business Enterprise |
| GST | Goods and Services Tax |
| IPT | Integrated Program Team |
| JMT | Joint Management Team |
| JSC | Joint Steering Committee |
| MOU | Memorandum of Understanding |
| NAHS | National Aboriginal Health Strategy |
| PDR | Package Development Report |
| PMO | Program Management Office |
| PSR | Package Scoping Report |
| SALT | Strategic Alliance Leadership Team |
| SIHIP | Strategic Indigenous Housing and Infrastructure Program |

Executive Summary

The Review was commissioned by the Commonwealth Minister for Families, Housing, Community Services and Indigenous Affairs, the Hon Jenny Macklin and the Chief Minister of the Northern Territory, the Hon Paul Henderson, in order to assess how to improve the Strategic Indigenous Housing and Infrastructure Program (SIHIP).

SIHIP is part of the arrangement in the Northern Territory under the National Partnership Agreement on Remote Indigenous Housing agreed at the Council of Australian Governments (COAG) in November 2008. Under the National Partnership the Australian Government became the major funder of remote Indigenous housing, with States and the Northern Territory responsible for delivery.

The National Partnership replaced existing arrangements under Indigenous Housing and Infrastructure Agreements in which funding from the Commonwealth Aboriginal Rental Housing and the Community Housing and Infrastructure Programs (later replaced by the Australian Remote Indigenous Accommodation program) was provided to States and Territories to construct, purchase and maintain housing, infrastructure and services.

The Minister and the Chief Minister asked that the review be conducted to assess the delivery of housing construction, rebuilds and refurbishments to meet the Governments' housing priorities in the Northern Territory as part of the \$5.5 billion COAG Remote Indigenous housing investment under the National Partnership. The Review team was authorised to make changes as the review progressed in consultation with both Governments. Lessons from the Review will inform remote Indigenous housing programs nationally.

The Review was undertaken by a senior official from each Government.

The Review analyses the performance of the program, particularly in response to Australian Government and public concerns that:

- The program has been slow to deliver housing (**timing**);
- The governance of the program is overly bureaucratic (**governance**); and
- The program is too costly (**total cost**), including that the costs of houses under the program (**unit cost**) and program administration (**administrative cost**) are too high.

The Reviewers have determined that the overall program design is sound. While certain high level aspects of the program must be addressed these have been identified early enough to ensure the program meets its objectives within the original timeframe.

The program must be refocused in order to be able to meet its targets of 750 houses, 230 rebuilds and 2500 refurbishments.

It is clear that in the development of the initial packages of works an imbalance emerged between program objectives. Elements such as design and community

engagement were elevated to the detriment of the unit cost required to achieve program targets, thereby skewing program outcomes.

The fact that this imbalance occurred points to a lack of effective oversight at the delivery level and a need to restructure the program governance and management arrangements.

Attempts were made by the Australian Government to increase its visibility of the internal operations of the program which resulted in some changes to the governance arrangements in January 2009. However this did not materially alter the program management arrangements and was not adequate to prevent the problems which have emerged in the first phase of the program.

Accordingly, the Reviewers are of the view that substantially greater involvement by the Australian Government, with the Northern Territory Government, is now required including strong oversight at the day to day operational level. This will include a senior Commonwealth officer embedded in the SIHIP program management team and Commonwealth officers directly involved in each Alliance Leadership Team.

In relation to **timing** the Review has found:

- There has been a three month delay against original timeframes in commencing work in the first three nominated locations, Groote Eylandt, the Tiwi Islands and Tennant Creek;
- That this delay was largely due to underestimates by the Integrated Program Team of the time required to develop the initial packages of works;
- SIHIP lead times for construction are less than those under the most recent large scale Australian Government remote Indigenous housing program, the National Aboriginal Health Strategy 2 (NAHS 2), which commenced in 2001;
- The continuation of house construction under pre-existing Indigenous housing programs has ensured housing provision at a level consistent with previous years while SIHIP moves to full implementation;
- That there will always be a lead time between project initiation and commencement of construction in any given location, but that this period will be minimised now that the program is fully established; and
- That from 2010 for each year of the program SIHIP will build more than double the number of houses built on average over the last five years.

In relation to **governance** the Review has found:

- That there have been unresolved leadership and capacity issues in the delivery of the program;
- These led to key elements of SIHIP such as community engagement and employment and workforce development being devolved by the Northern Territory Government to external consultants when they should more properly be the direct responsibility of Government;
- That this skewed the balance between program outcomes and led to estimated unit costs in the first three packages of works that are unsustainable.

- That if these costs had been allowed to continue in future packages of works targets would not have been achievable over the life of the program. Accordingly, the Review has already given a direction to reduce unit costs in future packages while still ensuring that all houses built under SIHIP comply with the Building Code of Australia and the National Indigenous Housing Guide;
- That the layers of management should be reduced from six to three;
- That there needs to be greater control by both the Australian and Northern Territory Governments over the day to day operations and management of the program; and
- That there needs to be a greater level of involvement by the Australian Government in program management, particularly to resolve issues which threaten the achievement of program targets.

In relation to **total cost** the Review has found:

That \$45.54 million has been spent to date under SIHIP. \$128 million in capital costs is committed for the first three packages already approved and \$359 million is committed for the six packages currently being scoped by Alliance Partners.

In relation to **unit cost** the Review has found:

- That the estimated unit cost target set at the start of the program was an ambitious target. Northern Territory Government officials estimating the cost did so against the backdrop of a volatile housing market from which estimates were difficult to draw and relied on the expected efficiencies arising from greater economies of scale;
- That the program needs refocusing to achieve its targets of 750 houses, 230 rebuilds, and 2500 refurbishments; and
- That a revised unit cost is \$450,000 per new house.

In relation to **administrative cost** the Review has found:

- That program administration costs are running at 11.4 percent of program budget. This can be reduced to 8 percent largely by replacing some contractors with government staff now that the program has matured, simplifying package development processes and streamlining the governance of program delivery; and
- That, while the ratio of program management and establishment costs to capital costs is elevated at this early stage of the program, this will rapidly be reduced as the capital works move into full operation. Over the life of the program for every \$11.50 spent on the delivery of capital works one dollar will be spent on managing the program.

The Review has already:

- Defined clear, achievable program parameters to meet targets, most notably that the average new house price will be \$450,000;
- Introduced a new management structure that places both governments firmly at the operational level of the program and in direct contact with Alliance Partners;
- Identified savings and reduced administrative complexity to decrease program management costs to 8 percent of the program budget over the life of the program; and
- Determined that the revised program budget will focus on housing. Costs associated with housing related essential services infrastructure to support new houses and improve existing service provision will be determined in the national audit of municipal and essential services being undertaken as part of the National Partnership and sourced initially from the National Partnership and Northern Territory Government programs. Over the 10 year life of the National Partnership and following the outcomes of the Audit, governments will need to work together to establish long-term financial arrangements.

The Review further recommends that:

1. The Australian Government take a stronger leadership role in the delivery of the program and that an assessment of the revised arrangements be made by the end of 2009. Should the reforms not have delivered improved program performance more direct control may be necessary.
2. The Australian Government take on a leadership role in community engagement in conjunction with the Northern Territory Government to ensure that program parameters consistent with the delivery of public housing are in place to meet the targets. While Alliance Partners have made strong efforts to engage with communities the private sector should not be required to represent Government in engagement on key policy matters and Government should be primarily responsible in this area.
3. Work be undertaken to complete the analysis of lessons learnt from the first round of Package Development Reports (PDRs) and that these be implemented for future PDR development, in conjunction with other reforms to be explored with Alliance Partners.
4. To increase visibility and public accountability targets and timelines be made publicly available.
5. Governments direct appropriate resources to transitioning Indigenous employees under SIHIP into ongoing employment.
6. Governments direct appropriate resources to ensuring robust and effective property and tenancy management to underpin the investment and achieve sustainable housing outcomes for Indigenous people.

Introduction

Over the last months there has been internal advice to Government and growing public scrutiny about the progress of the rollout of Indigenous housing under the Strategic Indigenous Housing and Infrastructure Program (SIHIP) in the Northern Territory. Public attention has focussed on perceptions that the program has not delivered housing and is bogged down in bureaucracy, with administrative costs, rather than construction itself, being the largest component of the program.

On 24 July 2009 the Commonwealth Minister for Families, Housing, Community Services and Indigenous Affairs ('the Minister') and the Chief Minister of the Northern Territory ('Chief Minister') announced that a senior official from each government had been appointed to work with the SIHIP to make sure that housing construction, rebuilds and refurbishments were delivered as soon as possible ('the Review'). These officers were to report to Dr Jeff Harmer, Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs and to Mr Mike Burgess, Chief Executive of the Department of the Chief Minister, on the performance of the program.

These officers, Ms Amanda Cattermole, Group Manager, Indigenous Remote Service Delivery, Department of Families, Housing, Community Services and Indigenous Affairs and Mr Ken Davies, Deputy Chief Executive, Department of the Chief Minister ('the Reviewers'), were given responsibility to make sure the Governments' housing priorities are addressed as a matter of urgency and were given the authority to direct relevant government officials, SIHIP program managers and Alliance Partners.

Program of Work

The Review examines the performance of SIHIP, a component of the Council of Australian Governments' (COAG) National Partnership Agreement on Remote Indigenous Housing, as the program undertakes work on its first three packages on the Tiwi Islands, on Groote Eylandt and in Tennant Creek. SIHIP is a new large scale Alliance based approach to the delivery of housing construction and refurbishment in the Northern Territory.

Methodology

The Review was initiated to take immediate action to identify and if necessary resolve issues with the implementation of SIHIP and the National Partnership. It has been primarily an internal exercise aimed at identifying issues with the program and addressing them. Of necessity it has been an iterative exercise and has required consultation with a range of stakeholders involved in the program. This has included consultation with the Minister, the Chief Minister and their offices.

The Reviewers conducted the Review by undertaking consultation with officials from both the Australian and Northern Territory Governments, members of the program management team and representatives of the Alliances, and have sought independent expert advice.

Review of the program budget, the program management framework and unit housing costs has also occurred.

The Reviewers were given the authority to drive change during the Review in order to ensure the Governments' housing priorities are delivered. Changes to elements of the program in line with key findings of the Review have been instituted throughout the process.

The Auditor General of the Northern Territory will be reviewing SIHIP as part of his routine audit process in late 2009. This will provide a comprehensive and independent review of the program from its inception. A report is likely in the first quarter of 2010.

Background

This Chapter outlines the history of the development of SIHIP in order to establish the context in which the Review was conducted.

New Directions for Indigenous Housing in the Northern Territory

Since mid 2007 the Australian and Northern Territory Governments have been committed to the establishment of a large scale Indigenous housing program in order to optimise housing outcomes for Indigenous people in remote areas. Both governments recognised that previous housing programs have been unable to achieve economies of scale as the general delivery model has been relatively small one-off lump sum contracts. This has provided little incentive for quality outcomes or shared savings from unused risk premiums and limited success in Indigenous employment and training outcomes. In addition housing support such as maintenance and tenancy management has often been inadequate, meaning that sustainable improvement in housing could not be delivered, with an average house life span of seven to twelve years.

Provision of Indigenous housing in the Northern Territory presents a set of specific business challenges including remoteness, harsh environmental conditions, significant potential scope of works, a limited pool of potential contractors, the requirement in the Top End to build cyclone-rated housing and a policy imperative for Indigenous employment and training.

SIHIP was designed around seven key objectives:

- Housing outcomes: housing that meets residents' needs and effectively reduces overcrowding in selected communities;
- Quality: new and existing houses to be constructed and refurbished to an appropriate standard;
- Social and economic outcomes: employment supported by training of Indigenous people to achieve a sustainable workforce in each community for the ongoing maintenance and management of housing;
- Time: completion by 2013;
- Cost: reduction in whole of life cost of delivering and managing houses through innovation and economies of scale;
- Management best practices: achievement of improvement in the delivery of major housing programs, and use of this as a basis for the delivery of a range of future housing programs; and
- Relationships: achievement of positive relationships with tenants, contractors and other stakeholders with openness and transparency and an understanding of local needs, together with the establishment of an environment that enables better outcomes for infrastructure, employment and workforce development.

Procurement Selection Process

The Governments agreed that an analysis of possible contract methodologies was warranted in order to identify a method that optimised outcomes and addressed the inefficiencies of existing program delivery methods for remote Indigenous housing construction work. A select tender was undertaken by the Northern Territory Government through an engineering consultancy company. The study took into account housing outcomes that included quality, time, cost, social and economic outcomes, management best practice and relationships across all parties including Indigenous community members.

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.

This approach was adopted by the Australian and Northern Territory Governments during mid 2007.

Alliancing: An Overview

In Australia the Project Alliancing Practitioners Guide defines an Alliance as: “a commercial/ legal framework between a department, agency or government-business enterprise (GBE) as ‘owner-participant’ and one or more private sector parties as ‘service provider’ or ‘non-owner participants’ (NOPs) for delivering one or more capital works projects characterised by:

- Collective sharing of project risks;
- No, fault, no blame and no dispute between alliance participants;
- Payment of NOPs for their services under a ‘3 limb’ compensation model comprising:
 - Reimbursement of NOPs project costs on a 100 percent open book basis;
 - A fee to cover corporate overheads and normal profit; and
 - A gainshare/painshare regime where the rewards for good performance and the penalties for poor performance are shared equitably amongst alliance participants;
- Unanimous principle based decision making on all key project issues; and
- An integrated project team selection on the basis of best person for each position.

Another key principle of this contracting methodology is the early involvement of contractors in the development of each package of construction works. This enables construction experience to be drawn upon early in the process and for early escalation of issues. Under traditional building tender processes issues are frequently discovered on the ground after price has been locked in.

Engaging a number of Alliance Partners provides incentives for partners to perform well in that future allocation of work is determined by performance. Regular performance monitoring against key performance indicators and benchmarking between partners is also a feature.

Once a panel of Alliance Partners is established, design, construction and training teams are able to continuously improve the delivery of housing and infrastructure in remote Indigenous communities over a number of packages.

Under SIHIP each Alliance Partner on the panel is a consortium of a head contractor, subcontractor, civil and building designer, material suppliers, logistics and training and support organisations.

Work is assigned to Alliance Partners in packages, with each package grouping the works from nominated communities in a region. Each package includes all new house construction, house refurbishment and serviced land development works to be carried out in that region.

Memorandum of Understanding (MOU) on Indigenous Housing, Accommodation and Related Services

In September 2007 the Australian and Northern Territory Governments signed a Memorandum of Understanding (MOU) on Indigenous Housing, Accommodation and Related Services in recognition of the need to improve housing standards and close the gap on Indigenous disadvantage in the Northern Territory. The MOU set the principles under which SIHIP was established.

The MOU was pursued in parallel with activity under the Australian Government's Northern Territory Emergency Response but was not a part of that response. Northern Territory Emergency Response measures focussed primarily on the protection and welfare of families and children by provision of social support and welfare reforms and law and order initiatives.

The MOU committed \$793 million of existing Australian Government funding over four years. Of this funding \$527 million was to be used for major capital works to improve the quality of existing housing and infrastructure as well as substantially increase remote Indigenous housing stock. Other cost components of the MOU included funding for municipal and some infrastructure service provision and continuation of the Northern Territory components of national projects funded by the Australian Government.

The Northern Territory Government contributed an additional \$100 million over 5 years to the capital works budget.

Under the MOU the Australian and Northern Territory Governments committed to an open market procurement process and a new contracting methodology based on a Strategic Alliance approach for the delivery of the new housing, repairs, refurbishments and associated works.

The MOU aimed to create training and employment opportunities for local Indigenous communities and to introduce public housing arrangements with rental levels linked to quality of housing and capacity of tenants to pay.

The MOU also required long term leases to be negotiated with land owners to underpin major investment in larger communities comprising new housing and refurbishment work. Upgraded housing was also to be transferred to, and managed by, the Northern Territory Government under a public housing framework whereby rents were collected and routine maintenance was undertaken.

The capital works funding contributed by the Commonwealth was provided to the Northern Territory Government which would be the purchaser of program management and construction services for the program and the day to day program administrator. All expenditure under the program is made by the Northern Territory Government.

The MOU set out governance arrangements for the delivery of the program and established a Joint Steering Committee (JSC) to be comprised of senior Australian Government and Northern Territory Government officials jointly overseeing the program.

Establishment of SIHIP

Funding

Taking forward the arrangements under the September 2007 MOU, Minister Macklin and Chief Minister Henderson announced a landmark housing project in April 2008. The program, later to be named SIHIP, was to comprise a \$547 million contribution from the Australian Government (as referred to in the MOU with an additional \$20m funding) and \$100 million of Northern Territory Government funding to deliver new and upgraded housing, including servicing of sites, and improvement of living conditions in town camps and communities in remote Northern Territory.

The announcement listed 16 high need communities in which major works would occur. An additional 57 communities were identified to receive refurbishment work. Additional funding was allocated for construction work in a number of town camps. An integral element of the program was that major works be underpinned by long term leases to secure the investment throughout the asset life of the capital works being funded and to ensure capacity for maintenance of the asset throughout that period. Communities in which major works and refurbishment work will occur are listed at **Attachment A**.

The Northern Territory Government was to deliver the program and the Australian Government was to provide support in the development stages and to jointly set the direction and oversight the program.

Additional Australian Government funding of \$25 million was announced between October and December 2008 for Tennant Creek, Groote Eylandt, Bickerton Island and for Nguuu on the Tiwi Islands, bringing total SIHIP funding to \$672 million.

Cost

At the time SIHIP was announced in April 2008 the program's target cost for a new house was estimated at \$350,000. This figure was calculated by the Northern Territory Government at a time when the cost of a house on remote Indigenous communities was difficult to determine accurately due to the large variation in prices being obtained under lump sum tender processes. This is evident in the contracts awarded for Indigenous housing in the Northern Territory during 2006-07 and 2007-08 wherein the price of a three bedroom house using standard designs varied from \$231,000 to \$509,000. Some of this variation was due to the additional costs associated with particular localities but the major reason was the varying unit price quoted by the building sector for remote Indigenous housing construction work. An ambitious target was set given the expected economies of scale to be achieved through the program in comparison to previous programs. Savings were also expected given the opportunity for significant prefabrication in the construction process. The target cost of \$350,000 was broadly consistent with the amount paid by the Australian Government in several remote Indigenous housing contracts awarded prior to April 2008.

Procurement

From mid 2007 the Northern Territory Government led a number of procurement processes to secure professional services to support SIHIP, with the involvement of the Australian Government. These included program management services, cost management, design coordination and financial audit services.

In May 2008 a request for expressions of interest for construction consortia to operate within an Alliance framework was advertised nationally. A select request for proposal commenced in June 2008.

In October 2008 the Australian and Northern Territory Governments announced the details of the three successful building industry consortia. They were:

- Earth Connect Alliance;
- Territory Alliance Partners; and
- New Future Alliance.

A list of Alliance consortia members is at **Attachment B**.

Each consortium was led by a larger construction company with the ability to increase the scale on which construction work could occur.

Under SIHIP each lead company was required to be accredited under the Federal Safety Commission's Building and Construction Occupational Health and Safety Accreditation Scheme. The scheme is designed to promote and improve occupational health and safety in the building and construction industry. It is generally a requirement of all large Australian Government funded construction programs that contracted companies have secured this accreditation.

The National Partnership Agreement on Remote Indigenous Housing

Following the change of government at the 2007 federal election significant reform of the federal financial framework was agreed at the COAG meeting in November 2008.

The reformed framework commenced on 1 January 2009 and involves a significant rationalisation of the number of payments made to the States and Territories, while increasing the overall quantum of payments. The framework provides clearer specification of the roles and responsibilities of each level of government, improves reporting on performance and instils a more collaborative working approach.

At its November 2008 meeting COAG also committed to improving outcomes for Indigenous Australians, recognising that they experience significantly poorer outcomes than non-Indigenous Australians across a range of areas including life expectancy, mortality rates, education, early childhood and employment outcomes and opportunities.

In accordance with this commitment the Australian Government allocated additional national funding of \$1.9 billion as part of a National Partnership Agreement for Remote Indigenous Housing. The National Partnership is a 10 year funding strategy to significantly reform the provision of housing and to address overcrowding, homelessness, poor housing conditions and housing shortages in remote Indigenous communities. This brought total funding allocated for remote Indigenous housing to \$5.5 billion nationally over 10 years and is expected to deliver around 9000 houses and refurbishments nationally.

The National Partnership clearly defines the roles of each level of government in respect of remote Indigenous housing. The States and the Northern Territory are responsible for delivery through State and Territory housing authorities.

The Northern Territory secured the largest portion of this funding, \$1.7 billion over 10 years, including the funds previously allocated under SIHIP. In effect the National Partnership subsumed the arrangements made under the MOU and SIHIP.

Current Program

This chapter discusses the framework under which SIHIP was operating at the time the Review commenced. It outlines the governance arrangements that were established to deliver the objectives of the MOU and reflected in the National Partnership and the roles of parties within that framework. It also outlines the governance arrangements that specifically applied to SIHIP. The process for development of packages of works under the program and the components of cost are also provided.

Governance of Remote Indigenous Housing in the Northern Territory

The Remote Indigenous Housing program, established under the MOU, is overseen by a Joint Steering Committee (JSC), an intergovernmental body also established by the MOU to oversee the program's strategic direction and performance and authorise financial expenditure for the program. The Northern Territory Government is represented by four senior officials from the Department of Local Government and Housing and the Department of Business and Employment. The Australian Government is represented by two senior officials from the Department of Families, Housing, Community Services and Indigenous Affairs and one representative from the Department of Education, Employment and Workplace Relations. The JSC meets monthly but can meet out of session if required.

A Joint Management Team (JMT), reports to the JSC and consists of seven representatives of the Northern Territory Government and three representatives of the Australian Government with responsibility for cross program operational oversight of delivery. The JMT meets twice monthly.

Program Directors (PD) have day to day management responsibility and delivery of activity under each program stream and are members of the JMT. There are several Program Director positions within the Northern Territory Government management team, one of which has direct responsibility for SIHIP.

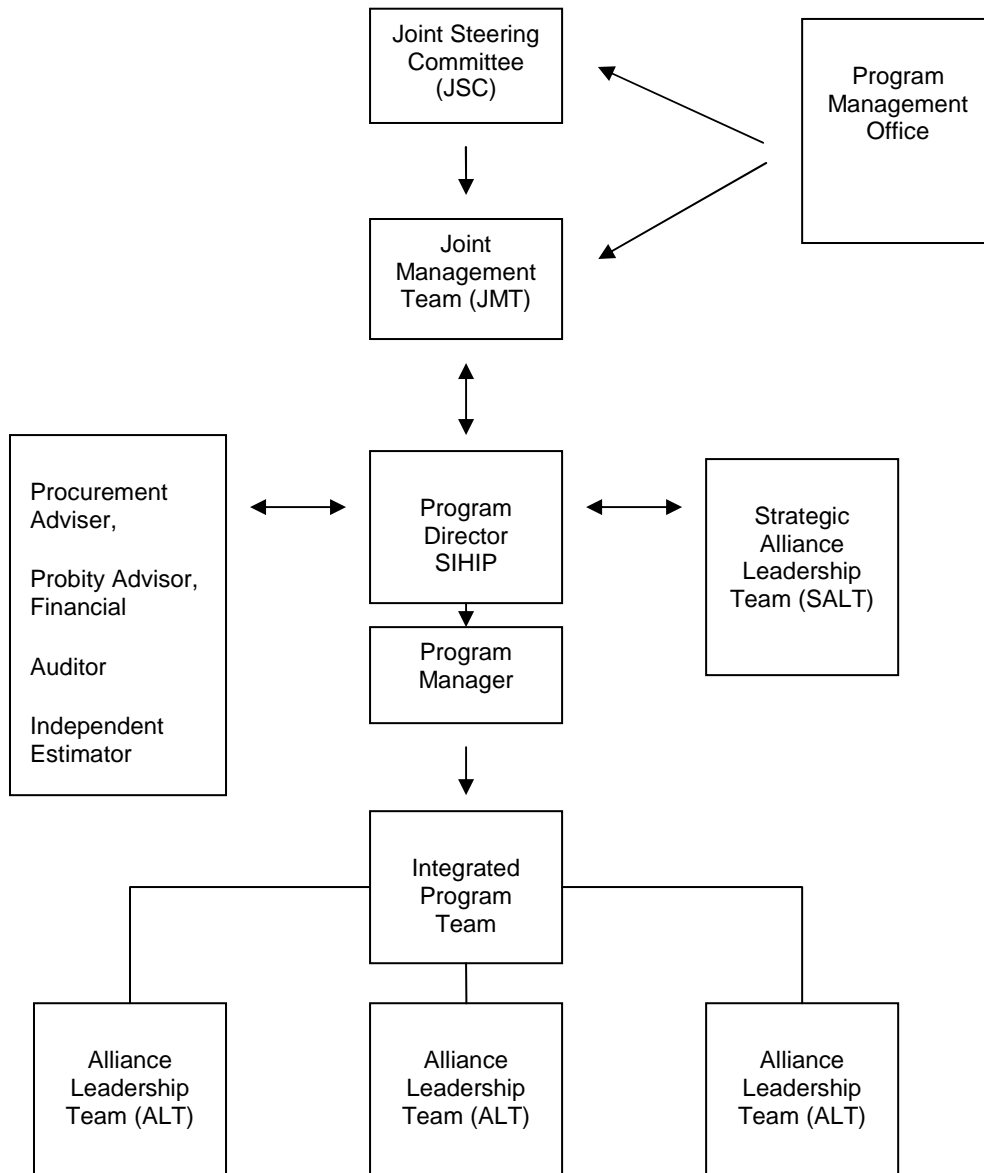
A Program Management Office (PMO) provides support and independent advice to the JSC and JMT by critically assessing program performance and risk management activities. It also coordinates high level program reporting requirements. PMO staff are employees of the Northern Territory Government.

Governance of SIHIP

SIHIP is the largest scale Indigenous housing program ever undertaken in Australia. Governments have committed that the program will deliver 750 new houses, 230 rebuilds and 2,500 refurbishments of houses in remote Northern Territory communities and targeted town camps by the end of 2013. SIHIP is a new way of delivering housing in remote communities.

The Northern Territory Government is the contracting entity for the delivery of SIHIP and is responsible for delivery of the program. The Australian Government provided support in the development stages to establish the program and jointly oversees strategic direction of the program.

The governance and advisory structure of SIHIP is outlined in the diagram below.



The SIHIP Program Director is responsible for the day to day strategic management of SIHIP and ensuring progress to meet program and government commitments. Earlier in the program this position was an employee of the Northern Territory Government but more recently was filled by a consultant, engaged by the Northern Territory Government.

The Program Manager reports to the Program Director and is responsible for the operational aspects of SIHIP. The Program Manager is an external consultant engaged by the Northern Territory Government.

The Strategic Alliance Leadership Team (SALT) was established to optimise the performance of the Alliance Partners across the program and to identify opportunities for innovation. The SALT consists of senior Northern Territory and Australian Government representatives, external consultants and a senior representative from each of the Alliance Partners. The Program Director is a member of the SALT. The SALT did not have a direct role in program management.

The IPT comprises representatives from the Northern Territory Government, program management consultants, a Design Consultant and a Cost Manager. It is responsible for the management of SIHIP at the program level and works closely with Alliance Partners to provide consistency in program delivery. The IPT assists Alliances in the planning, design and construction stages of the development of packages.

Development and Approval of Works

Under the program the JSC progressively allocates packages of work to each Alliance Partner. These packages are framed within geographic locations and allocated on the basis of performance and capacity of the Alliance Partners. **Attachment C** provides an illustration of the allocation and location of the first 7 packages.

The key process which triggers construction activity under SIHIP is the preparation of the Package Development Report (PDR) by the Alliance Partners. This process requires extensive community engagement. The Alliance Partner is required to develop a scope of works that presents the best value for money solution within the agreed funding for the particular package. Once approved by the JSC the PDR locks the Alliance Partner into a scope of works that must be delivered within budget. Painshare/gainshare arrangements apply if there are cost over runs or under runs and key performance indicators and targets are set. The process for the development and approval of the PDRs involves the following 5 steps:

1. The JSC approves the release of a Package Scoping Report (PSR) to one of the three Alliance Partners. The PSR identifies the communities to be included in the package, its value and a summary of required works. Funding is released to enable the scoping which includes project planning, design and community consultation;
2. The IPT provides the Alliance Partner with demographic and housing condition data on the communities in the package and other relevant community data including previous work undertaken;
3. The Alliance Partner prepares a brief which outlines its proposed approach to the development of the PDR and includes the budget, schedule, proposed methodology and areas that need special attention;
4. The Program Manager gives approval to the Alliance Partner to commence work on the PDR. The PDR includes detail on costing, scope, design specifications, stakeholder engagement, employment and workforce development; and

5. The JSC considers the PDR and if satisfied approves budget expenditure on the package and authorises the Northern Territory Government to approve the Alliance Partner to deliver the package from which construction can commence.

It is routine practice during the PDR process to consider the possibility of 'early works' in package locations. Early works are small packages of works that are brought forward in advance of the major work to be undertaken in a community. They are designed in particular to ensure that construction work commences on the ground as quickly as possible without unduly affecting economies of scale brought by the major works. For example early works could be the set up of construction camps, preparatory ground works or a contained package of immediate refurbishments that can assist later in providing staged housing for tenants while larger scale works occur. Early works are part of, rather than additional to, the overall scope of works set out in the PDR for each package.

Initially SIHIP intended to demolish 230 houses for replacement with new houses. During the scoping of works for the first packages it became clear that there were significant opportunities to rebuild and make fully functional existing houses currently unfit for occupation at approximately half the cost of constructing a new house. These 230 rebuilds together with the construction of 750 new houses will add 980 fit for occupation houses to housing stock. A further 2,500 houses will be refurbished delivering 3,480 improved housing outcomes under the program.

Advice

Housing Reference Groups are comprised of community representatives in each package location that come together to advise the Northern Territory Government and the Alliance Partner on key housing matters, such as where new houses should be located, the order in which refurbishments should be carried out and the allocation of houses to tenants. Housing Reference Groups are generally established some time prior to the commencement of construction work to enable effective community engagement and joint planning with the Alliance teams. Housing Reference Groups also advise the Northern Territory Government on tenancy management issues.

Costs

Components of Cost

To effectively program manage SIHIP the Northern Territory Government has a variety of contracts in place with key external service providers, including for program management and technical support. Some staff and on-costs within the Northern Territory Government are also components of the program administration cost.

Another key cost factor for SIHIP is the cost of house construction. This comprises elements including design, transport and mobilisation of a workforce, regulation and compliance costs, project management on a package basis, GST, company profit,

contingency, community engagement costs, costs associated with workforce development and site management costs.

In fixed price contracting many of these construction and associated costs are unspecified within the overall price. The Alliance approach provides for transparent and individually reportable cost components.

In remote Australia some of these costs such as transport and mobilisation of a workforce can be significant components of overall price, regardless of contract methodology. These costs are included within the budget that is allocated to each package to build the scoped and agreed number of houses in each package location.

Program Performance

This Chapter examines the performance of SIHIP between its establishment and the date of this report. Key components are governance and decision making processes, proposed and actual timelines and costs and program targets. Performance in employment and workforce development and community consultation is also assessed.

Governance

In early 2009 the governance arrangement between the Australian and Northern Territory Governments was revised across the delivery of the Indigenous housing program in the Northern Territory including SIHIP. These governance changes were effected to address two concerns:

The first concern was that low level management issues were increasingly being brought to the JSC which caused delay in day to day operations and limited the ability of the JSC to focus at a strategic level across Indigenous housing as a whole.

A key action to respond to this concern was the creation of the JMT to deal with cross-program operational matters for consideration by the management team. The JMT also had responsibility for linkages across elements of the housing program such as ensuring that the employment and workforce development initiative within SIHIP was linked with ongoing employment opportunities afforded under the property and tenancy management element to ensure sustainable outcomes. Responsibility for the delivery of specific program outputs remained with the Program Directors.

The second concern was that the Australian Government representatives had limited visibility of key issues and risks in the program. This became most evident at the point at which the first PDRs were submitted. As this was very late in the package cost development process it prevented early resolution of issues.

The extent to which these revised arrangements addressed these two concerns is discussed later in this Review

Unit Cost of Housing

In May 2009 PDRs for the first three SIHIP works packages on Groote Eylandt, the Tiwi Islands and in Tennant Creek were submitted to the JSC for approval.

The PDRs revealed that the cost of building houses on the Tiwi Islands and Groote Eylandt was significantly higher than had been anticipated by the Australian Government. There were several contributing factors:

First, the houses were being built in high cost locations, which required significant additional costs especially in order to barge materials from the mainland to island work locations. Building costs are respectively 35 percent and 55 percent higher in the Tiwi Islands and Groote Eylandt than in Adelaide¹.

Secondly, there were additional costs associated with the special needs of residents of Groote Eylandt because of the high incidence of Machado-Joseph Disease. This motor neurone disease results in sufferers becoming wheel chair bound and modifications to standard housing design were required to provide full disability access for each house.

A third factor was that the houses, designed in consultation with relevant communities, were bigger than expected in order to cope with overcrowding. As a result they included features such as larger bedrooms and visitor sleeping areas.

In response to these higher than expected costs the JSC worked with the Alliance Partners to reduce costs as far as possible while retaining the level of durability and amenity of the houses that had been developed in consultation with the community.

As a result the package costings were reduced and the JSC endorsed the PDRs with an instruction to the IPT to work with the Alliance Partners to ensure lower costs for the next set of packages and over the life of the program.

The decision to endorse the first three PDRs meant that the three Alliances could commence work on the Tiwi Islands, Groote Eylandt and in Tennant Creek. At the time of writing work had commenced on the first new houses at Groote Eylandt and construction of new houses will commence at Nguuu (Tiwi Islands) within two weeks of this Review. Work on repairing houses began in the Tiwi Islands, Groote Eylandt and Tennant Creek during May 2009.

Lessons Learnt

Review of the process for approval of the initial packages revealed a significant difference of perspective between representatives of the Australian and Northern Territory Governments about SIHIP. The Australian Government representatives held concerns about the high estimated cost of houses in the first three packages and the implications of this for the program targets overall. The Northern Territory Government representatives took the view that a higher unit cost could be justified by the requirement for larger houses that provided amenity to accommodate high number of visitors and overcrowding and the development of housing design that responded to the individual needs of each community.

¹ Rawlinsons Construction Handbook 2009.

A decision was taken by the Australian Government to deploy an officer from Canberra to be stationed in the SIHIP team to increase visibility at an operational level in order to help steer the program back to its targets. This officer, who was initially undertaking the role from Canberra pending a move to the Northern Territory, quickly identified that the difference in opinion had not been resolved.

This difference of opinion was not resolved prior to this Review and suggests that the governance of the program requires tightening to ensure outstanding issues are resolved and if necessary elevated to Ministers for decision.

Shortly after the PDR approval of the first three packages a workshop was held to identify the lessons from the first round of PDRs that aimed to implement revisions to the process for the next round of packages. Implementation of the outcomes of this workshop had not been completed at the time of this Review.

While the IPT and Alliance Partners were aware that costs for the next round of PDRs needed to be significantly reduced they were attempting to do this broadly within the same parameters that had operated for the first round of PDRs. As a result, the reports from the Alliance Partners showed that the unit cost of housing in the next round of PDRs would not have reduced to the level required to achieve program targets.

On 7 July 2009 the Australian Government decided to place a 'Senior Owners representative in the Northern Territory. This officer would have been able to give direct instructions on the delivery of the program including changes required to bring costs down.

These actions were subsequently overtaken by this Review process which has enabled senior officers from both Governments to direct changes to the program.

New Approaches

The Reviewers have determined that a revised average unit cost target of \$450,000 per new house will achieve the stated targets, while maintaining acceptable quality standards. This compares favourably with recent estimates for provision of desert remote housing when climatic modifications for Northern Australia are taken into account. Alliance Partners have advised that this unit cost is achievable.

The Reviewers have found the Alliance Partners are responsive and flexible in revising costings and approaches when clear program direction and scope is outlined. Feedback from Alliance Partners during the review has been unambiguous about the need for clear government direction in regard to targets, program outcomes and streamlined approval processes to assist them to meet their targets.

Housing costs approved for stage one of the work on the Tiwi Islands and Groote Eylandt, averaging \$560,000 per new house, excluding duplexes, were considerably higher than the average cost of \$450,000 that is now being set for the program. The primary reason for this was that these houses will be larger than the average building with a range of specialised features. This additional size and amenity was in response to the outcome of community consultations influenced by the history of overcrowded houses in most remote Indigenous communities. Under the parameters now proposed for the program SIHIP will respond directly to the problem of overcrowding by meeting

the reaffirmed target of 750 new houses. While choices will be reduced into the future there will be no reduction in durability and in essential amenity to meet local circumstances.

Cost

Administrative Costs

At the program level KPMG, a financial audit, tax and advisory firm, has confirmed that, at the time of writing, program management administrative costs are running at 11.4 percent of the total budget for the program. The Review has examined these costs and has determined that it is feasible to reduce program management costs to 8 percent.

This compares favourably with administrative costs under the most recent Australian Government Indigenous housing program in the Northern Territory, the National Aboriginal Health Strategy (NAHS). Based on early work undertaken by the Reviewers a public commitment to reduce administrative costs to 8 percent of budget has been made by both Governments.

The Reviewers have identified three key areas in which administrative costs can be reduced:

First, the Reviewers found that a number of positions that would normally be expected to be filled by government officials have been filled by contractors at a much higher cost. Although external expertise may have been required during the initial phases of the program, SIHIP should not require the same level of external service provision into the future. This will increase the Northern Territory Government component of the budget but will significantly reduce program management costs overall.

Secondly, the Reviewers have found that the PDR process can be simplified and guided by clearer parameters set by government. The initial PDRs required more work than will be the case in subsequent packages due to the need to establish processes and create document templates for the program. These processes, no longer subject to the same cost due to this initial work, included:

- an approach to employment and workforce development and community engagement;
- an approach to design and scoping;
- a design management plan;
- designs, innovation, direct job costs and preliminaries;
- a construction methodology; and
- management plans (e.g. quality, safety, construction, logistics, procurement, environmental, waste management, value management, key performance indicators, cost, alliance management, etc).

Thirdly, administered costs can be further reduced streamlining the governance structure overseeing program delivery. This is outlined later in the Review.

Total cost

As at 30 June 2009 the total expenditure on SIHIP is \$45.54 million. This expenditure covers the 2007-08 and 2008-09 financial years and is comprised of:

- \$7.6 million in capital costs. These costs have been primarily for the upgrading of power infrastructure in remote communities to support new housing;
- \$20.18 million in establishment costs of the Alliance Partners and costs of scoping the first 9 SIHIP packages.² Alliance establishment costs are one-off costs and will be allocated across all packages delivered over the life of the program; and
- \$17.76 million for program management, comprised of \$6.28 million in direct costs of the Northern Territory Government, \$0.3 million in community engagement costs and \$11.18 million in external contractor costs.

\$128 million of capital works has been approved for stage 1 works on the Tiwi Islands, Groote Eylandt and in Tennant Creek. A further \$359 million in funding for capital works is committed for next 6 packages in Maningrida, Wadeye, Gunbalanya, Galiwinku, Alice Springs town camps and the 29 Southern Region refurbishment communities.

Timing

Setup

The process under SIHIP from announcement of the program to commencement of construction work has taken 13 months. The period from appointment of Alliance Partners and the commencement of community visits to the start of the first construction has been 7 months.

It is instructive to compare this with a previous Australian Government housing program, the NAHS 2, which ran from 2000-01 to 2007-08, with expenditure in the Northern Territory of \$193 million and which funded 54 projects with an average project budget of \$3.6 million.³

For NAHS 2 projects it took an average of 19 months from the initial visit made to the community to offer involvement in the program to the start of construction. Activities undertaken during this period included offer and acceptance of the funding grant by the community, appointment of a project manager, project scoping and design and the calling for tenders and awarding of contracts for construction contractors.

This comparison demonstrates that lead times for construction under SIHIP compare very favourably to the most recent Australian Government large-scale remote Indigenous housing program in Australia.

² These are Tiwi Islands, Groote Eylandt, Tennant Creek, Maningrida, Wadeye, Gunbalanya, Galiwinku, Alice Springs Town Camps and the 29 Southern Region refurbishment communities.

³ Works included new and replacement housing, upgrades and renovations; lot servicing; provision of power, water and sewerage infrastructure; and other infrastructure such as roads, waste disposal and drainage.

Furthermore given that much of the 13 month lead time established key Alliance infrastructure, the Reviewers are of the view that now established, SIHIP can deliver shorter lead times for future work than would be the case under alternate procurement processes.

The Reviewers noted that it had always been anticipated by government that it would take this amount of time to establish as large a program as SIHIP, particularly under a new contracting regime. For this reason both the Australian and Northern Territory Governments continued to construct houses under existing programs through the establishment phase. As a result 102 houses were constructed from December 2007 to June 2009 in remote Northern Territory communities, broadly consistent with housing construction in previous years.

A table of construction activity in the Northern Territory since 2004/05 is at **Attachment D**.

Delivery

There has been a three month delay against original timeframes in commencing work in the first three nominated locations, Groote Eylandt, the Tiwi Islands and Tennant Creek. This delay was largely due to underestimates by the IPT of the time required to develop the initial packages of works.

Employment and Workforce Development

One of the social outcomes required from SIHIP was that local Indigenous jobs and training opportunities be provided. Specific targets for employment and training are negotiated with Alliance Partners and a component of their profit is contingent on achieving this outcome. Across the life of the program a target of 20 percent for Indigenous employment and training has been set.

This target is currently being achieved in the first three packages - Tiwi Islands, Groote Eylandt and Tennant Creek, with 45 Indigenous people employed under the program at the time of writing this Review.

Community Consultation

Under the first phase of SIHIP rollout strong emphasis was placed on consultation with local communities to deliver appropriate housing outcomes.

The Alliance Partners worked closely with a range of local stakeholders including Housing Reference Groups, community members and in some cases local land councils or Indigenous corporations.

Engagement typically involved a number of community visits, including to establish relationships in communities, to disseminate information about SIHIP and future consultation processes and to seek input into key aspects of housing delivery.

Alliance Partners also met routinely with Government Business Managers and regional officers of the Department of Local Government and Housing.

Communities had strong input into developing the scope of works to be undertaken, including size, specification, design and location of new houses, ensuring cultural appropriateness of new houses, input into the mix between building new houses and house refurbishments, prioritisation of refurbishments works to be undertaken, timing and logistics associated with building construction camps and temporary accommodation and the training and employment of local people.

In the 16 major work communities, where secure land tenure has been an element of preparation for housing construction, a SIHIP representative has been present during lease negotiations to provide information to traditional owners about how the SIHIP process would work and provide indicative dates for when work could commence, pending the finalisation of leasing arrangements.

It is clear that Alliance Partners are making strong efforts to engage with communities. It is also apparent that a stronger role for government is needed to provide leadership in this area, acknowledging that while it is important that Indigenous people be given a say, the options available to them will be consistent with a public housing program. Australian Government Business Managers and Indigenous Engagement Officers residing in key communities in the Northern Territory are well placed to assist with this ongoing engagement process.

It is clear that in consultations to date that, while the program was responsive to community identified needs, the balance was lost between this and the target unit cost required to meet the program targets over the life of the program.

Findings, Actions Taken and Recommendations

Findings

The Need for Reform

The need for reform of the delivery of remote Indigenous housing has been agreed by governments at COAG. Past complex and inconsistent housing arrangements have failed Indigenous Australians in remote Australia. Small scale housing programs have made insufficient inroads into overcrowding, homelessness, routine maintenance and consistent tenancy management, and programs have not provided sustained employment outcomes for Indigenous people. The approach in past years was that small contractors operated in areas without effective building standards and without effective technical oversight. Data from the Fixing Houses for Better Health program reports that around one quarter of fix work undertaken in that program was attributable to faulty works such as incorrect installation or poor construction.

In addition clear lines of responsibility through secured government investment have been missing. This has led to a paucity of systemic property and tenancy management and house maintenance and has contributed to a short asset life of approximately seven to twelve years. SIHIP, as part of the National Partnership on Remote Indigenous Housing, is leading efforts to address these issues.

Alliancing

The Review has found that while some aspects of the program require revision, the selection of an Alliancing delivery model has proved to be flexible and adaptable and that the Alliance Partners have demonstrated a willingness to offer up proposals to improve program performance and to adopt the actions taken throughout the Review. The Review recognises that the move to Alliancing has been a learning experience for all stakeholders.

Employment and Workforce Development

It is apparent to the Reviewers that the 20 percent target for local Indigenous employment and training opportunities is attainable in light of the success in this area in the three packages that are already underway.

Alliances have advised that the target is challenging but achievable across the life of the program while noting that results may vary between locations.

A strong focus from government in transitioning employees under SIHIP into ongoing employment is required.

SIHIP Timetable

Delivery of the program has been delayed by approximately three months in terms of initial estimates for house construction in the first three packages. This delay is largely attributable to underestimation by the IPT of the time required to complete the initial PDRs. The Reviewers take the view that the delay in finalising the PDRs can be quickly remedied by the refinement of governance and program decision making processes recommended by this Review.

There have been no delays in any of the SIHIP work currently underway associated with the requirement to obtain long-term land tenure. Leases have been obtained covering houses in the initial packages prior to the date when construction work was due to commence.

Housing construction has commenced on Groote Eylandt and refurbishments started in all three packages that have received JSC approval. The timing of these works is in line with previous housing program delivery timelines.

In respect of the next four packages to be progressed at Wadeye, Maningrida, Gunbalanya and Galiwinku, program delivery is currently on schedule including finalisation of lease arrangements between the Northern Land Council, Traditional Owners and government.

Now that SIHIP is fully established it can begin to construct houses at a much greater rate than previous programs. With the program fully operational for a full dry season in 2010 it is expected that the number of houses constructed in that calendar year will be at least double the annual average of remote Indigenous house construction in the Northern Territory over the last five years.

Program Parameters and Governance

The Reviewers have determined that the overall program design is sound. While certain high level aspects of the program must be addressed these have been identified early enough to ensure the program meets its objectives within the original timeframe.

The program must be refocused in order to be able to meet its targets of 750 houses, 230 rebuilds and 2500 refurbishments.

It is clear that in the development of the initial packages of works an imbalance emerged between program objectives. Elements such as design and community engagement were elevated to the detriment of the unit cost required to achieve program targets, thereby skewing program outcomes.

The fact that this imbalance occurred points to a lack of effective oversight at the delivery level and a need to restructure the program governance and management arrangements.

Attempts were made by the Australian Government to increase its visibility of the internal operations of the program which resulted in some changes to the governance arrangements in January 2009. However this did not materially alter the program management arrangements and was not adequate to prevent the problems which

emerged in the first phase of the program. Accordingly, the Reviewers are of the view that substantially greater involvement by the Australian Government is now required including strong oversight, with the Northern Territory Government, at the day to day operational level. This will include a senior Commonwealth officer embedded in the SIHIP program management team and Commonwealth officers directly involved in each Alliance Leadership Team.

The program structure did not allow Australian Government officials to intervene in delivery by the Northern Territory Government as the structure permitted only engagement through high level forums rather than direct intervention in operations.

This structure was in line with the accepted principle under the COAG arrangements that once a National Partnership Agreement has been signed the State or Territory is responsible for delivery of programs and expenditure of program funds.

There were also unresolved leadership and capacity issues within the program that led to activity, in particular community engagement and employment and workforce development, being devolved by the Northern Territory Government to external consultants when these activities are more properly the responsibility of government. This exacerbated the skewing of program outcomes away from a focus on ensuring costs were constrained to a level which would ensure that the program's targets could be met.

Administrative Costs

Program management costs for SIHIP have been assessed by KPMG to be currently 11.4 percent of the program budget. The Review has identified that this can be reduced to 8 percent of the budget by replacing some contractors with government staff. It is proposed that this be carried out in a staged way. While the Northern Territory Government component of this cost will increase through this process the program management cost overall will reduce.

The Review has also determined that work by both governments to streamline the PDR process should be undertaken to further reduce the program management costs of SIHIP.

Total Costs

The Review has found that program management costs have been necessarily higher during the critical establishment phase of the program.

The Review has also found that while the ratio of program management and establishment costs to capital costs is elevated at this early stage of the program, this will rapidly be reduced as the capital works move into full operation. Over the life of the program for every \$11.50 spent on the delivery of capital works one dollar will be spent on managing the program.

Infrastructure

The provision of essential services infrastructure is a necessary component of providing healthy and functional housing and is a core responsibility of State and Territory Governments. In remote Australia a complex set of arrangements has developed over time, with provision by the Commonwealth, the States and the Northern Territory. In

recognition of these complex arrangements, the National Partnership on Remote Indigenous Housing undertook to work towards clear roles, responsibilities and funding through a national audit of municipal and essential services and housing related infrastructure ('the Audit'). The Audit will be undertaken during 2009-10 and will assess and quantify gaps between current and expected service provision and infrastructure.

In the Northern Territory responsibility for the provision of essential services to all Indigenous communities rests with the Northern Territory Government.

The September 2007 MOU effected a transfer of service provision to outstations and homelands from the Australian Government to the Northern Territory Government.

Under the MOU the Australian Government agreed that a portion of its funding could be used for municipal and some infrastructure service provision and infrastructure but noted that the Northern Territory Government was also expected to contribute to that cost.⁴

This agreement was reflected in SIHIP which anticipated that up to 750 serviced sites would be constructed to support the housing program and budgeted for \$75 million as a contribution to the costs.

Estimates of the costs to improve infrastructure to support new housing delivered under SIHIP vary considerably and will not be certain until the Audit is undertaken and governments make decisions about the type of infrastructure investment that is required on a community by community basis. Consistent with the agreement in the MOU, funding is available under the National Partnership to contribute to these costs but must be managed to ensure it does not prevent the housing targets agreed to in the National Partnership being met.

Under the proposals outlined in this Review housing costs and essential service infrastructure costs under SIHIP will be budgeted for separately and made publicly available. Housing and program management costs will be met within the \$672 million of SIHIP funds. Essential service infrastructure costs will be sourced initially from the National Partnership and Northern Territory Government programs. Over the ten year life of the National Partnership and following the outcomes of the Audit governments will need to work together to establish long-term financial arrangements.

External Yard Works

As part of the implementation of public housing standards in remote Indigenous housing, consideration will be given to additional works such as fencing, driveways, carports and landscaping of yards. These are features that have not been provided on a consistent basis to remote Indigenous housing in the Northern Territory in the past. These works will be an extension of the Northern Territory Government's property and tenancy management program. These costs will not form part of the \$672 million for housing works but will be drawn as required from the National Partnership.

⁴ The MOU also funded the continuation of the Northern Territory components of national projects funded by the Australian Government.

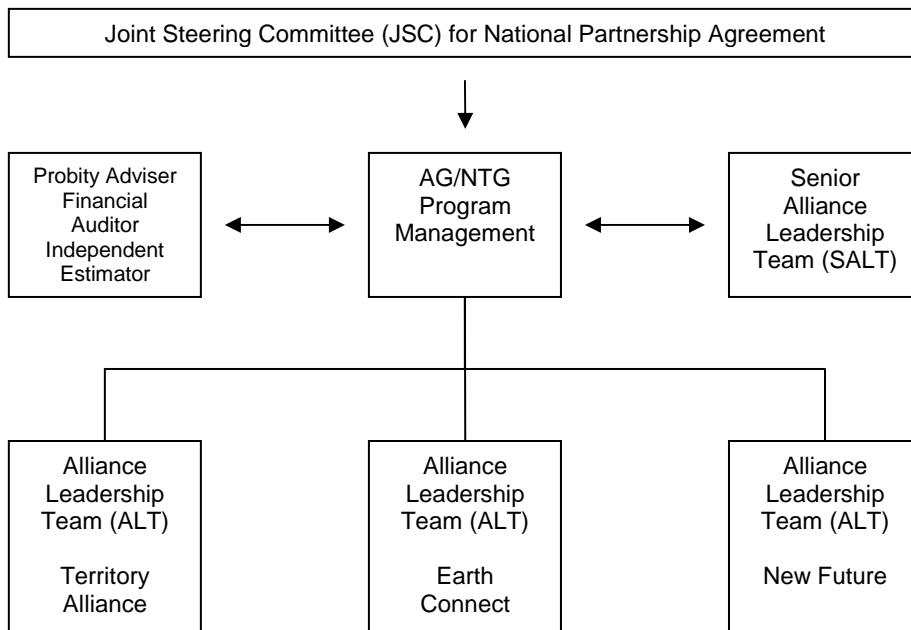
Actions Taken

Since the Review was commissioned both governments have recommitted to the targets announced in April 2008. The Review has found that these targets can be met but that this will require a series of changes to the program including the average unit costs determined under the first three packages. Work has already been undertaken to redefine the parameters of the program in this regard and to provide clarity about expectations.

The Review has found that there is a clear need for both program owners, the Australian and Northern Territory Governments, to be involved in the operational elements of the program. While previous arrangements recognised that there were joint owners, day to day responsibility for delivery was with the Northern Territory Government. Governance structures afforded the Australian Government a general oversight of the program but in practice did not permit the Australian Government to assess and respond to operational concerns and most particularly did not allow direct interaction with the Alliance Partners.

The Review has found that SIHIP has matured sufficiently to support a direct relationship between the program owners and Alliance Partners. In fact Alliance Partners have requested this direct interaction at the program management and Alliance Leadership Team level.

The Review has led to the implementation of a new streamlined governance structure 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 new framework moves from six management layers to three. The new framework also allows for direct interaction and decision making between program owners and Alliance Partners. The new structure nominates officers who are accountable and responsible for providing consistent advice to Government and rapid response to critical feedback. An overview of the new framework is outlined below:



Action has also been taken to reduce program management costs to 8 percent of the program budget by commencing the process of replacing some contractor positions with Government staff and streamlining the PDR process. Savings will be allocated to construction under the program. Effective recruitment into key government roles should be a priority as the program transitions some contractor positions into government positions.

The Review has clarified program parameters to ensure that program targets can be met.

- For construction of new houses an average house price target of \$450,000 has been set. Alliance Partners have confirmed that this is achievable. While house costs in some locations may exceed this amount such as where particular house designs are required to respond to local climatic conditions, this will be offset by lower housing costs in other locations. Houses will comply with public housing standards, all elements of the Building Code of Australia and the National Indigenous Housing Guide.
- Average cost for rebuilds will be \$200,000. Rebuilds will occur where more than \$100,000 on capital works is spent on an existing house. It is expected that the majority of rebuild works will be kitchens, bathrooms and toilets, returning houses to full functionality for less than half the cost of a new house on average.
- Refurbishments will range in cost from \$20,000 to \$100,000 per house with an expected average cost of \$75,000 and will target critical health hardware and housing functionality. While this may mean fewer houses can be fully refurbished in the first tranche of works it improves the functionality and health outcomes of a larger number of houses with the greatest benefit to tenants, families and communities. It also provides an efficient and effective basis from which to undertake ongoing repair and maintenance programs.

The Revised Program Budget is at **Attachment E**

Recommendations

To further optimise the delivery of housing outcomes under SIHIP the Review recommends that;

1. The Australian Government take a stronger leadership role in the delivery of the program and that an assessment of the revised arrangements be made by the end of 2009. Should the reforms not have delivered improved program performance more direct control may be necessary.
2. The Australian Government take on a leadership role in community engagement in conjunction with the Northern Territory Government to ensure that program parameters consistent with the delivery of public housing are in place to meet the targets. While Alliance Partners have made strong efforts to engage with communities the private sector should not be required to represent Government in engagement on key policy matters and Government should be primarily responsible in this area.
3. Work be undertaken to complete the analysis of lessons learnt from the first round of PDRs and that these be implemented for future PDR development, in conjunction with other reforms to be explored with Alliance Partners.
4. To increase visibility and public accountability targets and timelines be made publicly available.
5. Governments direct appropriate resources to transitioning Indigenous employees under SIHIP into ongoing employment.
6. Governments direct appropriate resources to ensuring robust and effective property and tenancy management to underpin the investment and achieve sustainable housing outcomes for Indigenous people.

Attachments

Major Works and Refurbishment Communities

57 communities to receive housing refurbishments

| | |
|------------------|---------------|
| Tara | Gunyangara |
| Imangara | Belyuen |
| Kybrook Farm | Yuelamu |
| Eva Valley | Finke |
| Acacia Larrakia | Titjikala |
| Weemol | Wutunugurra |
| Amanbidji | Yarralin |
| Rittarangu | Mutitjulu |
| Wallace Rockhole | Pmara Jutunta |
| Nturiya | Nyirripi |
| Wilora | Minjilang |
| Bulla | Willowra |
| Haasts Bluff | Mount Liebig |
| Canteen Creek | Laramba |
| Robinson River | Jikminggan |
| Imanpa | Barunga |
| Bulman | Amoonguna |
| Engawala | Papunya |
| Atitjere | Pirlangimpi |
| Pigeon Hole | Alpurrurulam |
| Peppimenarti | Kaltukatjara |
| Areyonga | Nganmariyanga |
| Binjari | Milikapiti |
| Santa Teresa | Warruwi |
| Ramingining | Naiyu |
| Daguragu | Beswick |
| Kalkarindji | Minyerri |
| Kintore | Ampilatwatja |
| Ali Curung | |

16 communities to receive major capital works

| | |
|--------------|------------|
| Hermannsburg | Gunbalanya |
| Yirrkala | Nguiu |
| Yuendumu | Ngukurr |
| Gapuwiyak | Galiwinku |
| Numbulwar | Maningrida |
| Angurugu | Wadeye |
| Umbakumba | Lajamanu |
| Milyakburra | |
| Milingimbi | |

Alliance Partners and their members

Earth Connect Alliance

Canstruct Pty Ltd

WorleyParsons Services Pty Ltd

Force 10 International Pty Ltd

Greene & Associates Pty Ltd

Ostwald Bros. Pty Ltd

Territory Alliance Partners are

Sitzler Pty Ltd

Laing O'Rourke Australia Construction Pty Ltd

McMahon Services Australia Pty Ltd

With a Sub Alliance Participant

Compass Group (Australia) Pty Ltd

New Future Alliance

Leighton Pty Ltd

Broad Construction Services Pty Ltd

Opus Pty Ltd

Ngarda Civil & Mining Pty Ltd

SIHIP Communities Map

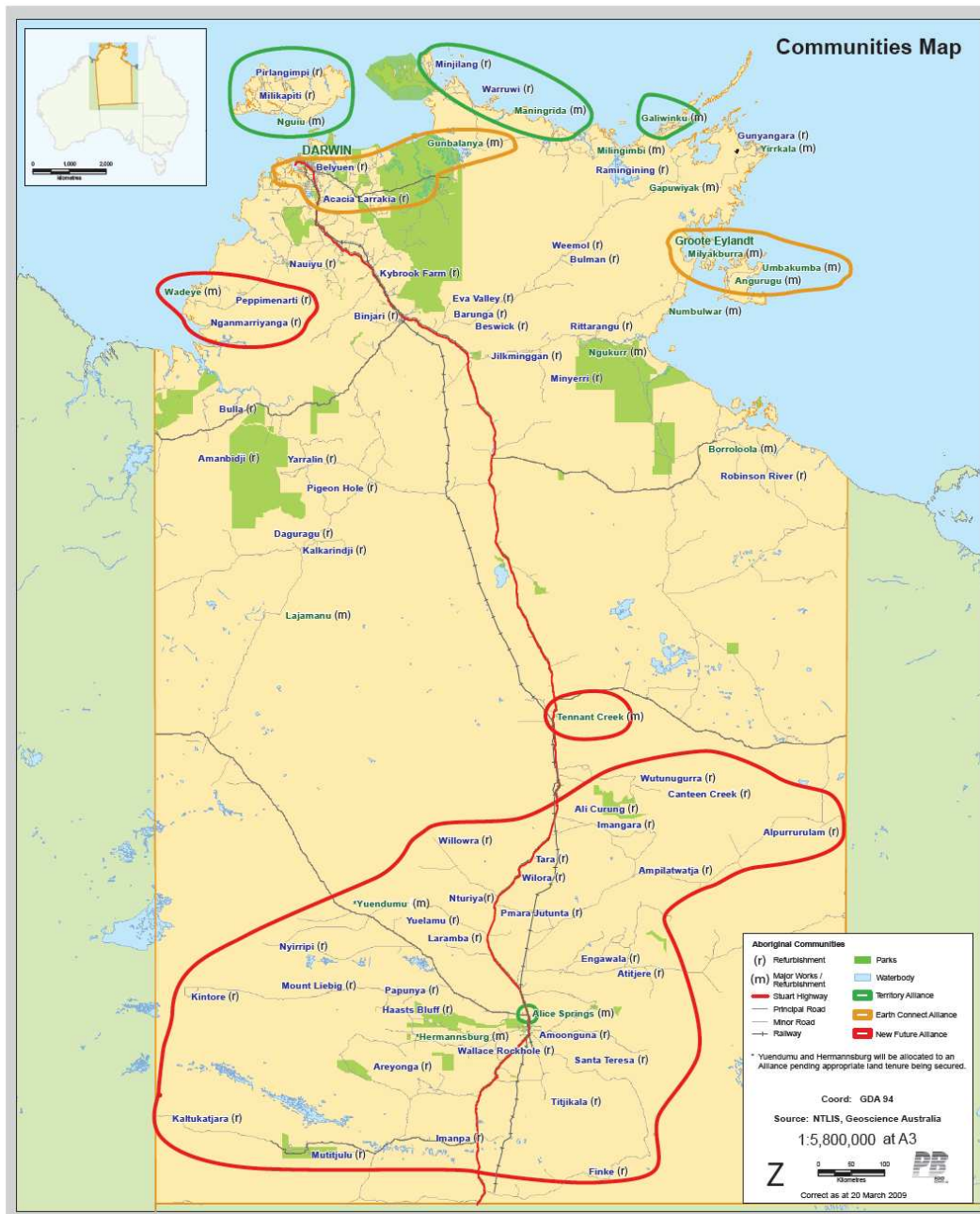


Australian Government



Northern Territory Government

Strategic Indigenous Housing and Infrastructure Program (SIHIP)



working together to help make communities safer and healthier

Construction Activity 2004 - 2009

New Community Houses Constructed in Northern Territory Remote Indigenous Communities between 2004-05 and 2008-09.

| | 2004-05 | 2005-06 | 2006-07 | 2007-08* | 2008-09* |
|---------------------------------|---------|---------|---------|----------|----------|
| Number of new houses | 94 | 51 | 64 | 102 | 66 |
| Cumulative number of new houses | 94 | 145 | 209 | 311 | 377 |

* Between December 2007 and June 2009 102 new houses were built.

Revised Program Budget

| SIHIP element | Target | Average unit cost | Total |
|----------------------|----------------------|--------------------------|------------------------|
| New houses | 750 | \$450, 000 | \$337, 500, 000 |
| Rebuilds | 230 | \$200, 000 | \$46, 000, 000 |
| Refurbishments | 2, 500 | \$ 75, 000 | \$187, 500, 000 |
| Project Management | 8 percent of program | | \$53, 760 000 |
| Contingency* | | | \$47, 240 000 |
| Total | | | \$672, 000, 000 |

* Contingency is a normal allocation in a capital project and covers eventualities such as cost escalation on materials and labour and major stoppages or problems due to litigation, weather etc. In the event that contingencies are not required they will be used for capital works.