



# **Strategic Indigenous Housing Infrastructure Program (SIHIP)**

## **Post Review Assessment (PRA)**

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## 1 Executive summary

### 1.1 Background

The Strategic Indigenous Housing and Infrastructure Program (SIHIP) was announced in April 2008. SIHIP is an important part of the wider Remote Housing Northern Territory (NT) framework, which in turn is part of the reform agenda expressed in the National Partnership Agreement on Remote Indigenous Housing (NPA RIH). In August 2009, the Australian and NT Governments commissioned a Review of Program Performance (“the Review”) for SIHIP. In December 2009, a Post Review Assessment (PRA) was commissioned by the Australian Government to report against the recommendations made in the Review and to advise on issues relevant to achieving the SIHIP targets. This work was undertaken in the period from December 2009 to early March 2010. This report, written in the present tense to signify its currency at the date of lodgement, is the outcome of the PRA.

### 1.2 Actions arising from the Review that have been implemented

SIHIP’s management has advanced significantly in the relatively short time since the Review.

The PRA finds that all of the changes and recommendations arising from the Review have been, or are being, implemented and that immediate improvements are visible as a result.

- The Australian and NT Governments are clearly working collaboratively to deliver SIHIP through contracted “Alliance Partners” (who are managing and delivering the “on-the-ground” activities, including construction works),
- Alliance Partners have generally been flexible and adaptive during and since the Review,
- Construction progress is occurring and new properties are beginning to be handed over, in addition to properties that have been rebuilt and refurbished,
- Policy guidelines to assist implementation that are clear, high-quality and integrated across the reform agenda have been developed and rolled-out to staff and contractors working on SIHIP and related program areas,
- Consultation is occurring with SIHIP communities within the practical constraints of SIHIP construction and budget targets and within the policy framework set during the Review and
- Program management costs have been reduced from 11.4 per cent of total program outlays to below 8 per cent and are budgeted to remain so.

Based on available documentation, data and consultation with stakeholders, the PRA finds that despite a lag in achievement of construction targets up to February 2010, the changes put in place as a result of the Review are geared to achieving SIHIP’s key targets by 2013, with the bulk of the outputs expected to be delivered over the next two years. This conclusion is based on program managers’ sharp focus on delivering a set of specified number and range of outputs within clearly defined budget parameters, these expectations being communicated clearly to Alliance Partners, the effective acceptance of these parameters by Alliance Partners, progress in the approval of construction packages, and improvements in policy guidance and management systems.





In particular, the policy guidelines on program targets and costs agreed between the two governments and subsequently provided to Alliance Partners have removed ambiguity about the scope and cost of construction works. Although delivery of the initial housing outputs – notably the new houses - has been later than expected, there is clear evidence that Alliance Partners have built up capacity, stockpiled construction materials and undertaken works during the wet season that will enable them to reach full production during 2010.

SIHIP's innovation in the use of "Alliancing" to contract housing delivery services already shows many signs of success. While the three Alliance Partners have considerably different approaches and strengths, there are already demonstrable and substantial improvements in consultative processes, housing design, local employment outcomes and additional economic benefits in some communities. The employment outcomes are exceptional at this stage.

### 1.3 Issues

SIHIP is embedded in the NPA RIH, and is also a critical element of the Remote Housing NT framework, each of which has well articulated and integrated objectives covering construction of housing and infrastructure, asset management, tenancy management, and employment and social outcomes. While SIHIP's objectives are focussed mainly on delivering new and refurbished housing, it too has longer term aspirations that underlie its purpose, notably the achievement of reduced whole-of-life costs in the provision and management of housing, and reduced overcrowding. It also aims to achieve local employment and training outcomes that lead to ongoing work in housing maintenance and management as well as more open and understanding relationships between community members, housing contractors and other stakeholders.

The achievement of a sustainable housing system that conveys broader social and economic benefits is at least partly dependent on SIHIP being managed as an integral part of the NPA RIH and Remote Housing NT framework. While there is evidence that program managers and staff responsible for aspects of these programs are working together closely, there are aspects of a more "joined up" approach that, in the PRA consultants' view, need to be considered to ensure efficient, effective and longer term outcomes at community level.

The key issues in this regard are:

- The desirability of a broader suite of assessment criteria and performance measures that facilitate a broader basis for decision making and performance measurement (see Sections 3.5 and 5) and
- the need to consider ways of combining the different program elements so that they are efficient, seamless and maximise achievement of shared objectives at community level (see Section 3.8).

The importance of these issues is best illustrated by the refurbishment element of SIHIP, under which 2500 houses are to be refurbished by 2013 at an average unit cost of \$75,000. These "functional refurbishments" justifiably concentrate on rectifying the most urgent hazards to residents' health and safety. The budget of \$75,000 per dwelling is based on this premise and is generally insufficient for a comprehensive refurbishment. In many cases, these works alone will be insufficient for public housing occupancy standards





to be achieved and maintained as a foundation for “normalising” social housing delivery. Public housing occupancy standards are effectively a pre-requisite to being able to collect adequate rent revenues to sustain repairs, maintenance and effective tenancy management in remote communities. This issue is recognised by program managers and ways of addressing it are being considered, but at the time of the PRA there is insufficient evidence that SIHIP functional assessments and other processes to provide repairs and maintenance can be integrated seamlessly or cost effectively. This issue is addressed more fully in section 3.8, below.

The PRA has identified a small number of additional issues that deserve consideration relating to:

- The desirability of non-traditional methods of project definition and procurement to increase social and economic benefits,
- Recognition of infrastructure costs and
- The capacity of governments to improve housing outcomes in the longer term while population growth poses a continuing challenge.

These are addressed in Section 5, below.

## 1.4 Conclusion

This PRA has established that the Review was effective in resolving a number of obstacles to delivery and that substantial progress is being now being made. It has also confirmed that while there are still aspects to be fully implemented and issues to be addressed, SIHIP is much better geared to achieve its immediate and longer term objectives than it was prior to the Review. Assuming the continuing commitment of, and cooperation among, the Australian and NT Governments and Alliance Partners, there are strong prospects for substantial delivery of housing outputs in 2010 and for the remainder of the program.

This PRA has identified some issues that deserve further consideration. Most importantly, as SIHIP progresses, the PRA consultants believe it is essential that SIHIP and the long term goals of the NPA RIH are integrated effectively at community level as well as in the way SIHIP is managed and evaluated. Longer term challenges to the sustainability of outcomes from SIHIP include the continuing capacity of the Australian and NT Governments to maintain priority, effort and financial commitment to delivering remote Indigenous infrastructure, housing and services when the NPA RIH comes to an end.

## 2 About the SIHIP PRA

Following delivery of the Review, a commitment was made to contract independent consultants by end of 2009, to assess the impact of the revised arrangements. The Terms of Reference (TOR) of the PRA were:

- TOR 1. Assess whether and to what extent the recommendations of, and changes made throughout, the Review of Program Performance have been implemented.
- TOR 2. Assess whether the changes made have contributed toward the Strategic Indigenous Housing and Infrastructure Program meeting its targets within budget and within the program timetable.





TOR 3. Advise on additional issues for consideration that may further ensure delivery of the Strategic Indigenous Housing and Infrastructure Program targets.

The consultants contracted to work in partnership to undertake the PRA were Dr Owen Donald and Julia Canty-Waldron. Dr Owen Donald is currently Chair of the National Housing Supply Council, Chair of Barwon Health, past Director of Housing in Victoria and past Executive Director of the Australian Housing and Urban Research Institute. Julia Canty-Waldron has over 15 years experience in service design, provision and evaluation, program management and policy analysis in the areas of homelessness and social housing and is currently on the board of Aboriginal Housing Victoria.

The NT Auditor-General, Frank McGuinness, also commenced an independent review of SIHIP in the latter part of 2009. The PRA consultants conferred with the Auditor-General at an early stage in the PRA about the scope and timing of the two exercises. It was accepted that some overlap was inevitable because both the PRA and the Auditor-General needed to deal with the translation of objectives into effective program, project and financial management processes that achieve the intended outcomes. However, while the PRA's focus has been on the period subsequent to the Review of Program Performance, the Auditor-General's review traverses the program since inception and focuses especially on financial management and systems of project control and accountability. The Auditor-General's report is expected to be tabled in May 2010.

It should be noted that the PRA has not undertaken a systematic analysis of the cost of SIHIP processes and outputs. This would have required resources and time beyond the scope of the PRA.

The PRA began in late December 2009 and concludes with completion of this report in early March 2010. The PRA process included scrutiny of past and current reports, policies, plans and briefings produced by the Australian and NT Governments. The PRA consultants have also examined considerable external relevant material which was both related to SIHIP and independent of SIHIP.

Interviews have been held with over sixty stakeholders, including Australian and NT Government staff on SIHIP teams and Remote Housing NT teams, Alliance Partners, community members who were part of local Housing Reference Groups, asset management officers, alliance builders on site, Shire (local government) representatives, NT Government regional managers, Australian Government Business Managers in remote NT, external experts in issues of remote design and functionality, external experts in alliancing, leaders of regional land councils, the NT Auditor General and the Office of the Coordinator-General for Remote Indigenous Services.

The PRA has also involved site-visits to Gunbalanya, Nguu and Wadeye, which are remote townships in the northern part of the NT. In addition to meeting with traditional owners and builders working within SIHIP communities, these visits afforded the opportunity to view different construction methods used, inspect properties pre and post refurbishment and rebuild, view new houses on the verge of completion and better understand the impact of SIHIP in local communities. One example of the latter was in Wadeye, where Alliance Partners were utilising the local Indigenous tilt-slab concrete factory for a percentage of SIHIP new builds, thereby contributing to local economic activity beyond the direct effect of recruiting local labour for some of the housing construction work.





In the course of its work, the PRA has received an enormous amount of information from the government agencies involved and sought to verify assumptions and conclusions through examination of data and discussion with a wide variety of stakeholders. The consultants are grateful to all those who contributed, particularly officers in the Australian and NT Government agencies who responded willingly to many detailed requests for information and provided open access to program materials.

### 3 Implementation and impact of the Review's recommendations

The Review of SIHIP, commissioned in August 2009, is on public record at:

<http://www.fahcsia.gov.au/sa/indigenous/pubs/housing/sihip>.

With regard to Terms of Reference 1 and 2, the PRA finds that significant improvements have been implemented quickly and cooperatively during and since the Review. These improvements relate particularly to:

- More efficient decision making following governance changes from a 6-tier hierarchy to a flatter 3-tier structure.
- More focused, efficient and effective Package Development Report (PDR) processes and outputs tied to program parameters.
- A shared understanding of, and strong adherence to, SIHIP's targets and budget.

Since the Review, it is clear that considerable work has been done to progress the achievement of SIHIP. This work in the main pertains to implementing a systematic approach to delivering SIHIP outputs within the global budget and timeframe of the program and is evidenced through the:

- Implementation of a new organisational structure within SIHIP, beyond the governance changes, made, and the recruitment of appropriately skilled people into new and pre-existing positions,
- Development of policy guidelines to clarify and support the achievement of SIHIP targets,
- Communication by government with growth communities about the new housing targets and
- Development of systems to plan, manage and report against SIHIP progress (since early 2010).

These are important contributors to the greater sense of confidence and momentum observed among the majority of stakeholders. The first new houses have been delivered, most construction packages have been approved for commencement, and the volume of production should increase significantly in 2010.

In short, a great deal of work has been done and much is still in progress. Progress with specific recommendations arising from the Review are discussed below.

#### 3.1 Australian Government increasing its leadership role

##### **Achieved**

During the Review period, the Australian Government increased its presence in the NT, became more involved in SIHIP operations and participated in the program reforms arising out of the Review.





This commitment has been achieved through the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). A tangible increase in Australian Government involvement is evidenced by the appointment of FaHCSIA staff either partnering with the NT Government counterparts in key positions, or being incorporated within SIHIP teams led by NT Government staff. Australian Government staff are also working at regional and community-level, including Australian Government Business Managers whose role includes trying to ensure coordinated service delivery “on the ground.”

Since the Review, substantial staff changes have occurred within the SIHIP teams of both the Australian and NT Government. Only a very small number of people have been in place since the beginning of the program, and most have changed roles within that time. The primary risk inherent in these changes is the loss of continuity of purpose and momentum in delivery. Significant challenges exist for both the Australian and NT Governments in recruiting and sustaining a sufficiently experienced and skilled workforce to achieve the volume and breadth of reforms required under the NPA RIH. Importantly, senior management positions have been filled substantively and Australian and NT Government program managers are working in close cooperation. However, recruitment is continuing across both Australian and NT Government teams, and it is possible that discontinuities associated with staff turnover will be a recurring challenge, especially in remote areas beyond Darwin.

### 3.2 Simplification of the Package Development Report (PDR) process

#### *Achieved*

As mentioned above, the Review took decisive action to simplify the PDR content and process. SIHIP work is allocated through geographically based packages with construction works currently underway across nine packages. The PDR is the process and resulting document which defines the scope of construction works under SIHIP on a package by package basis. Working to budget parameters provided by the Australian and NT Government, the Alliance Partners develop a scope of works that presents the best value-for-money solution that meets predetermined targets within the specified package and has the support of the affected community.

Alliance Partners unanimously assert that the PDR content and process has dramatically improved since the Review. A process which took months prior to the Review has now been reduced to weeks. The PRA consultants have verified that documents which were overwhelmingly detailed and thousands of pages long are now limited to an efficient fifty page length. Policy guidelines now exist to clarify the expectations of PDRs, ensuring that they are consistent and comprehensive without being unnecessarily burdensome.

The Review noted that it was reasonable to expect that the first round of PDRs would be more extensive than those conducted subsequently. Nevertheless, it is clear that both the documentation and decision making has also become more efficient as a result of the Review.





### 3.3 Simplification of SIHIP governance structure

#### ✓ *Achieved*

Prior to the Review, SIHIP embodied six levels of governance, which accommodated the external project management consultants. During the course of the Review, the governance structure was reduced from six to three levels and the Australian Government in particular became more directly involved with Alliance Partners.

Alliance Partners unanimously assert that since this action was taken, the decision making process has improved. Alliance Partners report they are more empowered to make decisions, leading to better chances of achieving SIHIP objectives. Despite a Joint Steering Committee meeting not being held between the time of the Review until February 2010, the PRA verified that all members of the Joint Steering Committee have clearly been working closely together to progress the achievement of SIHIP targets. Regular and documented formal and inclusive meetings to review high level progress and resolve emerging systemic issues would enhance the alliancing process.

### 3.4 Reduction of program costs

#### ✓ *Achieved*

At the time of the Review, program management costs were running at 11.4 per cent of program budget. The Review determined that this figure could be lowered and a new target for program management costs was set at 8 per cent of program budget. The intention was to achieve this through a range of strategies including replacing some contractors with government staff.

The PRA found that program management costs have reduced to below 8 per cent (at December 2009) following the Review. The primary identified mechanism to achieve this reduction - reduced tiers of management - has been implemented. This lower level of program management expenditure is embedded in the program budget.

The immediate achievement is notable but relates to an extremely short timeframe since the Review. The PRA notes that whether there is a need for greater resourcing in communities or elsewhere to support effective oversight and management of the program cannot be assessed adequately at this time.

### 3.5 Visible and accountable SIHIP targets

#### ✓ *Achieved*

The Review identified in response to an imbalance of expectations and objectives that SIHIP required refocusing on the targets and budget that had been set.

All Alliance Partners have a clear and consistent understanding of the targets and the budget which was reconfirmed in the Review. During the PRA, multiple stakeholders commented on the stronger focus on targets and budgets experienced during and since the Review.

These targets and associated components of the budget are:





SIHIP element	Target	Av. 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 % of program budget		\$53,760,000
Contingency			\$47,240,000
<b>TOTAL</b>			<b>\$672,000,000</b>

The PRA observes that the need for a sharp focus on targets and budgets remains essential, but there are delicate balances that need to be achieved to ensure that the housing outputs contribute to the broader objectives of the program. Minimum acceptable occupancy standards also need to be defined and achieved to provide a reasonable prospect of these objectives being met. This is challenging in any cost-capped program with a firmly specified number of outputs. Bringing forward housing outputs would reduce the risk of standards actually achieved slipping over time, but may not be acceptable for fiscal reasons. A more complete solution would be to define the minimum standards to be achieved, estimate the budget required to achieve them, and include reasonable provision for cost-escalation in the budget allocation to SIHIP and the NPA.

Targets for the number of housing outputs and their unit costs have also been set in advance of comprehensive house-by-house property condition assessments. Underestimation of needed works would lead to pressure for additional funds, considerable delay in achieving required standards, or failure to achieve desired outcomes. As noted above, consideration is being given to bringing forward funds for later years (both for the balance of SIHIP and from the NPA RIH) that could help to address any immediate deficiency. It will be important to reassess the adequacy of the budget in the light of merging experience with SIHIP’s property assessments and the pending full condition audit of housing in remote NT.

A feature of the strict fixed budget and output targets is that there is no explicit provision for cost escalation other than the 7 per cent contingency allocation. Program managers and Alliance Partners must, therefore, estimate and make internal provision for cost movements over the remaining 4 years. If those estimates are well below cost movements actually experienced, including for reasons beyond their control, they will need to adjust the scope of work envisaged. The PRA consultants understand that some capacity to deal with cost escalation has been achieved through economies of scale and that consideration is being given to bringing forward activity and expenditure to mitigate this risk.

The PRA consultants observe that infrastructure costs associated with SIHIP works are not accounted for in SIHIP’s budget and output targets. The provision of infrastructure (roads, utility headworks and reticulation, subdivision costs and so on) is essential to the amenity of SIHIP housing outputs. These costs are being met from outside the SIHIP budget and present another example of the integrated nature of SIHIP, NPA RIH and the Remote Housing NT framework. As infrastructure costs do not vary directly in line with the number of properties built or refurbished, these costs are properly excluded from the assessed unit cost of housing.





The timing of new and enhanced infrastructure works needs to be synchronised with SIHIP housing works. The PRA consultants are aware that there have been concerns about a lack of coordination and that a new infrastructure team is in place to ensure that infrastructure is properly planned, procured and managed. The PRA finds that consideration should be given to including SIHIP-related infrastructure delivery targets as deliverables under the program.

### 3.6 Government role in community engagement and communicating SIHIP

#### *In progress*

The Review found that Alliance Partners, as they engaged with communities to understand, assess and define community need, were effectively representing and communicating government policy. The Review recommended that government should fulfil this role and that the Australian Government in particular should have a higher profile role in SIHIP communities.

Since the Review, Australian Government representatives, along with the NT Government, have conducted a number of forums in communities where new housing is to be built under SIHIP. As at February 2010 the more complex conversation about refurbishments began.

Australian Government staff have now been incorporated into a Community Engagement team led by the NT Government. This team, and the strategy, has been rebuilt since the Review. Documentation is in place outlining how community engagement will be coordinated and integrated across SIHIP, as well as across the multiple related activity areas, such as land leasing and property and tenancy management, incorporating regional stakeholders such as Shires and NT Government Regional staff.

It is noted that each SIHIP community has established a Housing Reference Group (HRG) specifically for the purpose of giving and receiving advice on matters relevant to the effectiveness and appropriateness of priorities and approaches in the provision and management of remote Indigenous housing. The HRGs are pivotal mechanisms in achieving the broader objectives of SIHIP, particularly the longer term social outcomes. Sincere consultation and engagement with HRGs is likely to be the point at which local communities begin to develop ownership of SIHIP housing outputs. The Australian and NT Governments support the resourcing of these groups. HRG members comprise traditional owners and Indigenous elders and generally represent each kinship group within the local area. The configuration of the HRG is largely a locally driven decision, with each HRG functioning within operational guidelines determined by the NT Government. The PRA received helpful input from three HRGs, who reminded the PRA consultants and government representatives of the importance of two-way communication occurring, being understood by each side, and being reflected in subsequent actions.

Discussion of community aspirations with regard to housing needs, location and design are within the scope of consultation about what can be achieved within the non-negotiable targets and budgets. The onus is on program managers and Alliance Partners to accept community input on within-scope unless there is more important and well-communicated reason for not doing so. It is also apparent that the Alliance Partners have generally been receptive to community input, and this responsiveness has been one of SIHIP's notable





achievements to date. Community members frequently challenge the government representatives (and PRA consultants) to look at the issues in a more holistic way, thus also challenging the budgets and particularly the refurbishment targets to which government officers are committed, although the PRA heard consistent and positive acceptance of the targets for new houses. There is a tension, of course, arising from Alliance Partners' and communities' common interest in challenging the budget and output targets. These challenges cannot be accommodated by SIHIP staff locally or by program management centrally (except at the margin by balancing allocations across projects) but need to be set aside or elevated as matters of policy. In the meantime, it is important that these challenges do not delay the delivery of SIHIP outputs.

### 3.7 Employment and workforce development

#### *In progress*

The Review recommended that both Governments direct appropriate resources to transitioning Indigenous employees under SIHIP into ongoing employment. The NPA RIH has set a benchmark for local Indigenous employment on housing construction at 20 per cent of contractors' workforce. As at late February 2010, 36 per cent of workers employed by SIHIP Alliance Partners and their sub-contractors were local Indigenous community members.

All stakeholders are acutely aware that longer term employment outcomes are more challenging and a variety of measures are being developed and implemented to maximise the extent and duration of SIHIP-related employment opportunities. However, the point-in-time over-achievement of the benchmark warrants special mention as an outstanding and, so far as the PRA consultants are aware, unprecedented success.

The PRA notes the early gains in employment and workforce development were occurring in communities with very substantial works spread over a considerable period of time. In these communities it is possible to create longer term engagement with community structures and relationships, and a payoff for investment in local economic infrastructure, training and supervision. It will be more difficult to achieve this in smaller communities where little or no investment in new housing is occurring. Accordingly, the highly successful point-in-time figures should not obscure the challenges of achieving employment and training gains in very small remote communities with little economic development. The PRA consultants are aware that both Australian and NT Government program managers are conscious of this risk and working with all stakeholders towards sustaining long term employment outcomes.

Achieving and maintaining employment and workforce development targets are linked to the timely allocation of the SIHIP packages that allow Alliance Partners to plan and invest in their workforce. Cementing the employment and workforce development gains made in the construction phase of SIHIP will require articulation and extension of the skills and employment outcomes from SIHIP to the NPA RIH and to roles requiring related skills. These skills include repairs, responsive and cyclical maintenance of dwellings and non-residential buildings that is currently expected to be undertaken by the NT Government and (mainly but not exclusively) Shires. Achieving this will not be automatic – it will require consideration and deliberate action.





SIHIP's scale and innovation in procurement has also generated further local employment and other economic spinoffs that are not included in the direct employment outcomes noted above. For example, Alliance Partners in Wadeye have committed to utilising the local Indigenous tilt-slab concrete factory (operated by the Thamurrurr Development Corporation) for a percentage of new homes in that community. Expertise provided by the Alliance Partner and the income generated by the volume of SIHIP orders has assisted in lifting the quality and volume of the factory's output with consequential economic and social benefits for the wider community, particularly if this work could be extended to other housing, health, education, commercial and civil construction projects in the area. Other SIHIP communities are also exploring the potential for local businesses, and especially Indigenous organisations, to link more formally to SIHIP's Alliance Partners and leverage benefits. Local Indigenous people reported favourably on the noticeable differences between SIHIP contractors whose brief was to build and refurbish dwellings in ways that served both the local community and the broader and longer term social and economic objectives, versus the one-off projects that import all labour and materials, usually make no connection with the community and convey no added-value.

While unlikely to be replicable in much smaller communities, the Wadeye example indicates the potential benefits that could flow from a consolidated and non-conventional approach to procurement in remote towns. The PRA returns to this issue briefly in Section 5.

### 3.8 Property and tenancy management

#### *In progress*

The Review reaffirmed that SIHIP was essentially perceived as a construction program, but with additional longer term social objectives. It also aims to achieve reduced whole-of-life costs in the provision and management of housing. Post the Review, the NT Government Property and Tenancy Management project team was supplemented by additional Australian Government staff to support a broader, more integrated approach encompassing policy, tenancy support, property management and business systems to achieve a transition to standardised public housing management procedures across the NT.

This project team represents the interface of SIHIP with the relatively recently formed Shires and the NT Government regional offices and staff. These stakeholders and this work has a critical role in ensuring that properties and tenancies (including those resulting from SIHIP) are successfully maintained and sustained under the NT's new "mainstreamed" property and tenancy management arrangements.

The PRA consultants have observed a significant issue in the integration of SIHIP functional refurbishments, undertaken by Alliance Partners, with repairs and maintenance work to be undertaken by (mainly, but not exclusively) newly-formed Shire arrangements under the direction of NT Regional Property and Tenancy Management teams.

SIHIP prioritises resources for refurbishments to achieve the health and safety standards articulated in *Fixing Houses for Better Health* and reflected in the *National Indigenous Housing Guide*. A comprehensive policy framework and guiding documents are in place expressing the intent to transition smoothly from the





responsibility of the Alliance Partners to local public housing property and tenancy management. While these frameworks are robust and well integrated, they are in the process of being implemented and their ability to achieve seamless, efficient and effective results at ground level has not yet been demonstrated.

The functional refurbishments implemented by Alliance Partners concentrate on rectifying the most urgent health and safety hazards. The average budget of \$75,000 per dwelling is generally insufficient for a comprehensive refurbishment. The PRA consultants understand that many, if not most, refurbished properties will require further work through the Remote Housing NT repairs and maintenance program.

In the view of the PRA consultants, there are risks and potential inefficiencies in this transition. If the two processes are not synchronised they could result in properties being re-occupied at below public housing occupancy standard, this would threaten community acceptance, occupants' sense of ownership and commitment, and risk underachievement of the additional revenues required to support ongoing property and tenancy management. Also, it is inherently inefficient to arrange two teams to undertake serially what one team could have done simultaneously.

The PRA consultants understand that program managers comprehend and are considering options to deal with this issue in a more coordinated way. This includes rescheduling of works from NPA RIH budget to maximise contemporaneous refurbishment, repairs and maintenance work on individual houses or at least to reduce the potential hiatus between functional refurbishment and other works required to achieve public housing occupancy standards. To improve efficiency – avoiding duplication of travel, set-up and overhead costs – consideration should also be given to whether and how Alliance Partners could undertake all or the some of the additional work before functionally refurbished properties are reoccupied.

If this occurred, the calculation of unit costs for SIHIP and repairs and maintenance activity will need to be adjusted to avoid a false impression of the former. The impact on Alliance Partners' ability to deliver the SIHIP targets on time is also an important issue.

Effective property management requires detailed and up-to-date data on all properties under management. This is not yet in place. SIHIP is collecting information through the PDR process that enhances technical knowledge of housing conditions in SIHIP communities. However, obtaining comprehensive, accurate and consistent baseline data about the condition, valuation and remaining effective life of housing stock across remote NT is a challenge acknowledged by the Australian and NT Governments. A process for obtaining this information has been developed; this is planned for implementation very soon. It is also important that the complete inventory of individual dwelling records is kept up to date, including with the details of new properties, information about all maintenance or refurbishment of existing properties, and links to the tenancy management records to identify the occupants of each property. Among other considerations, these data are needed to ensure that properties are maintained in habitable condition, that property damage is recognised, rectified and tenancies managed to reduce its incidence, and that improvements can be evaluated in terms of long term value-for-money.





In making these remarks, the PRA consultants are aware that achieving better property and tenancy management systems, data and processes is an ongoing challenge in all State and Territory public housing authorities.

## 4 Construction progress

As at end February 2010 the PRA verified construction progress against targets to be:

Rebuild and refurbishments underway	87
Rebuilds and refurbishments complete	115
Total Rebuilds and refurbishments	202
New houses underway	63
New houses handed over	2

The target is for 1000 rebuilds and refurbishments and 150 new houses to be complete by December 2010. The pace of delivery has to increase substantially for the end of year targets to be achieved. As noted above, the PRA has concluded that the variety of measures put in place as the result of the Review, progress in the approval of construction packages submitted through the PDR process, and Alliance Partners' actions to establish their construction infrastructure and stockpile building materials, should mean that the end of year targets are achievable and that SIHIP achieves its ultimate targets within the program's timeframe.

## 5 Other issues for consideration

SIHIP is a subset of the NPA RIH, a 10-year agreement addressing the "provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous communities". The NPA RIH in turn is fundamental to achievement of the Remote Housing NT framework, which is working to deliver a new system to manage public housing in remote communities across the NT. A number of SIHIP's seven objectives (refer to the Review) also have a long-term focus. This makes it especially challenging to assess progress with SIHIP in isolation from its relationship with, and contribution to, the wider NPA RIH agenda.

This context prompted the PRA to consider how the present absorbing focus on delivery of the SIHIP targets could expand to a more integrated, outcome focused view of SIHIP's contribution to the success of the broader reform agenda. It is evident that this need for a more integrated approach is being addressed by Australian and NT Government program managers at an organisational level. A variety of challenging issues are emerging from this process of integration. The following points are, in the view of the PRA consultants, particularly important.

### 5.1 Procurement of capital projects in remote NT

The PRA notes that the use of Alliancing has brought challenges and opportunities to SIHIP. While both sides have struggled to share priorities and risks, the parties involved in SIHIP, including the Alliance Partners, agree that the issues identified in the Review, and breadth of changes resulting from it, could not have





been achieved under a traditional procurement model. Just how effective and suited alliancing is to delivering housing outcomes in remote Australia is yet to be fully tested, but the PRA has observed very promising aspects in its application. Early evaluation of its effectiveness in contributing to the full range of outcomes expected under the NPA RIH should occur with a view to determining whether, among a range of other applications, the approach should be extended to the second tranche of capital works that will occur at the cessation of SIHIP and merge of the capital works program into NPA RIH.

Alliancing is a less appropriate form of contracting when risks can be estimated and managed within a reasonable price for services provided. This may be the case for the second tranche of capital works under the NPA RIH, for subsequent works and for ongoing repairs and maintenance, but the failure of past procurement models in delivering sustainable outcomes in remote areas indicate that Alliancing and other non-traditional procurement methods should be assessed for their ability to achieve better long-run outcomes.

The PRA observes that little experience in working with and managing alliance contracting sits in the Australian or NT Government teams. It is important that government representatives have access to support to ensure that the structures and behaviours, which define Alliancing and support the outcomes expected from it, are in place, being demonstrated in practice and being monitored.

SIHIP's scale and the experience with Alliancing suggest that consideration could also be given to pooling and scheduling capital works in remote areas at a community level, with a view to procuring a single firm or joint venture to deliver design, construction and facilities management services to firms prepared to convey the local economic and social benefits expected under SIHIP and NPA RIH. The PRA consultants acknowledge that this suggestion extends well beyond the PRA's terms of reference.

## 5.2 Objectives and measures of success

Under SIHIP subsequent to the Review, it is clear that the main objective is achieving the number of housing outputs in accordance with the capital budget. The management information systems that support the assessment of options and measurement of progress are primarily focused on this objective. Data are also collected on the nature of the housing works and on SIHIP-specific employment and training in SIHIP communities.

To achieve the broader objectives of the NPA RIH it is important to extend management information systems well beyond construction projects in progress and completed, capital costs, and program management costs associated with construction activity. The assessment of capital options, oversight of progress and evaluation of outcomes should encompass recurrent as well as capital outlays, achievement of the housing reform objectives embodied in the Remote Housing NT framework, and the impact of the program on broader economic and social outcomes. The PRA consultants believe, for instance, that capital works under SIHIP and the PRA should be designed and implemented with the express intention of achieving a significant improvement in the likelihood that houses will last longer, need fewer repairs, be highly valued by their occupants and support the revenue required for ongoing repairs, maintenance, refurbishment and replacement. These, in addition to capital costs, are critical issues of value-for-money in the long run.





Assessments on this basis do not need to challenge SIHIP's budget or output targets but should influence design criteria, what work is prioritised, how the work is undertaken, and how and when supplementary repairs and maintenance occur.

A broader suite of KPIs will be required to assess achievement against the broader objectives.

It is especially important to monitor the durability of SIHIP's new and refurbished housing. In addition, it will be important to evaluate whether the capital expenditure under SIHIP and the NPA RIH have achieved their objective of reducing overcrowding (which extends logically to whether housing supply increases in line with population growth) and facilitating transition to a financially and socially sustainable housing system. These longer term objectives could challenge some aspects of the scheduling and scope of works under SIHIP.

### 5.3 Long term sustainability of outcomes

The PRA draws attention to three housing-specific issues of long-run continuity and sustainability:

- The ability to “normalise” remote housing,
- Population growth in remote communities and
- The future of funding and program management resources when the NPA RIH ceases in 2018.

“Normalisation” of remote housing arrangements in accordance with the public housing model is intended to achieve more effective property and tenancy management and a higher standard of housing outcomes. Each element is dependent on the other. Better housing is obviously required for better shelter, safety and security but it also needed to produce the rent revenues required to sustain it. Better property management is needed to maintain the better housing and ensure it meets the needs of tenants. Better tenancy management is required to ensure rents are paid and tenants comply with the terms of their lease. Bringing all this together as a sustainable package for remote housing in a way that also responds to Indigenous culture will be challenging. Conversely, failure to achieve the full package would undermine the durability of SIHIP's outputs and result in enormous losses of expenditure and effort.

The population of many towns in remote NT is growing rapidly, with consequential demands on housing stock. The effort to reduce overcrowding among the existing population is compounded by this growth in the underlying demand for housing. Planning to cope with this growth is essential.

The PRA consultants understand that when the NPA RIH ceases, the default position is that Australian Government funding for all social housing would come from the national funding pool for the National Affordable Housing Agreement and that the NT's share will be proportional to its share of the national population (i.e. 1 per cent). This would disadvantage the NT considerably.

These three issues point to the long-term effort required to produce acceptable, durable and financially sustainable housing outcomes in remote Indigenous communities. This challenge needs to be faced in an integrated way to succeed and the Australian and NT Governments need to “stay the course” with adequate funding and strong program management, well after 2018 has come and gone.





## 6 Conclusions

While SIHIP is a bold commitment to tackle current housing disadvantage in remote NT, and much has been done since the Review, the growth rate of the Indigenous population and the challenges of delivering quality housing and infrastructure in remote communities will ensure that there are ongoing issues to be addressed as it is rolled out. To inform this subsequent work, the SIHIP experience will be important for what it teaches about the effectiveness of its innovation in procurement, its scale, the form of government partnership and its attempt to achieve an integrated solution to housing in remote areas.

The SIHIP team's achievements since the Review are significant. This PRA confirmed that the Australian and NT Governments are working in close partnership, much progress has been made in implementing the actions and recommendations emerging from the Review and the risk of SIHIP not achieving its targets have been substantially reduced. The SIHIP approach on the ground has produced exceptional local employment outcomes, and has highlighted opportunities for employment gains and economic benefits that go beyond the immediate housing and employment gains associated with SIHIP itself.

It is too early to determine if actions implemented and those in the process of implementation will be fully effective in delivering SIHIP's housing outputs in the required number, at the right price, and in the right timeframe. However, the PRA has observed appropriate adjustments and systems have been implemented vigorously to deliver the intended program outcomes with sharp focus, stronger program controls and more effective monitoring arrangements. The Alliance Partners are also better positioned, albeit variably, to increase production substantially. There are strong prospects of a major increase in outputs in 2010 and of aggregate program targets being fully met by 2013.

At this juncture, SIHIP management require the opportunity to embed and improve processes and systems put in place since the Review, to work with Alliance Partners as agreed to facilitate the achievement of housing outcomes, and to consider and respond substantively to the opportunities for improvement raised in this PRA.

The following points summarise some of these opportunities:

- Continue the integration of SIHIP into Remote Housing NT, in acknowledgement of the linkages with and between property and tenancy management and infrastructure provision.
- Consider bringing forward NPA RIH funds to achieve better value and scale in housing works, including repairs and maintenance and refurbishments,
- Consider the use of Alliance Partners to deliver additional repairs and maintenance required to achieve public housing occupancy standards before tenants move back into properties,
- Ensure assessment criteria for investment and performance indicators are appropriate and accommodate the longer term objectives of SIHIP, including the social and economic development objectives,
- Ensure financial planning criteria and performance measures include value-for-money assessments relating to the economic life of housing and assessment of cost escalation over the life of SIHIP and the NPA RIH,





- Maintain a commitment to Alliancing in SIHIP, and evaluate the contribution of Alliancing to the achieving the objectives of SIHIP well before the program ceases with a view to being able to extend its application to the NPA RIH,
- Also assess other non traditional project procurement options for strong and sustained outcomes in and beyond SIHIP,
- Pay particular attention to population trends and overcrowding in remote communities to inform estimates of funding required for housing and related services.

The systems and processes which this PRA identified as in development should be fully executed and generating data by the end of the 2010 dry season. This will provide a further opportunity to assess the collective performance of the partners in SIHIP in turning the Review's recommendations into housing outcomes and making substantial progress towards the 2013 targets. While the PRA concluded that appropriate processes and control systems were being developed and linked to each other in ways that significantly enhance the likelihood of expected outputs and outcomes, the volume and complexity of the simultaneous changes pose a risk to achievement that should be monitored closely and re-evaluated within 12 months.

