

NATIONAL PARTNERSHIP AGREEMENT ON REMOTE INDIGENOUS HOUSING

Background

- 1 For the 2015 Review, the Commission decided to treat the National Partnership Agreement on Remote Indigenous Housing (NPARIH) payment as impacting on the relativities and to phase it in starting from 2013-14.
- 2 NPARIH came into effect in November 2008 and had the following objectives:
 - to significantly reduce severe overcrowding in remote Indigenous communities
 - increase the supply of new houses
 - improve the condition of existing houses in remote Indigenous communities
 - ensure that rental houses are well-maintained and managed in remote Indigenous communities.
- 3 NPARIH is a successor to the Australian Remote Indigenous Accommodation (ARIA) program, which was a successor to the Community Housing and Infrastructure Program (CHIP).
 - The ARIA program began in the Northern Territory before being folded in to the NPARIH. The 2009 Update Terms of Reference required that ARIA payments be treated as no impact. The ARIA program was folded into NPARIH for the 2010 Review.
 - The Community Housing and Infrastructure Program (CHIP), which was pooled with State funding in some States, and provided directly to Indigenous community housing organisations (ICHOs) in others. CHIP was treated as impacting on the relativities.
- 4 In the 2010 Review, the Commission decided that NPARIH should not impact on the relativities because it understood that these payments funded improvements to assets not owned by State governments. It understood that these assets were mainly owned by ICHOs but that responsibility for these houses would transfer to the States over time.
- 5 In the 2015 Review, the change in treatment and the phase-in were introduced to reflect the gradual transfer of responsibility of remote Indigenous housing to State governments. NPARIH requires States' authorities to become the major deliverer of housing for Indigenous people in remote areas of Australia by 2018. At June 2015, about two third of community houses in remote Australia were under State management based on information received from Department of Prime Minister and Cabinet (PM&C).

- 6 The Commission considered that the NPARIH NPP should impact on State GST shares because payments are for services usually provided by States and needs are assessed.
- 7 Commission staff have become aware of concerns that some disabilities relating to remote Indigenous housing, that are being addressed by NPARIH are not assessed by the Commission. We consider that the Commission may need to reconsider how it treats NPARIH if these concerns are correct..

Staff views

- 8 From information we have been able to gather we understand that NPARIH is structured differently in different States to reflect their particular circumstances and how those circumstances change over time.
- 9 Broadly we understand that this funding does two things.
 - It provides funds for the construction and refurbishment of housing in remote indigenous communities.
 - It provides funds to assist States with the transfer of responsibility for remote indigenous housing, for example with the preparation of leasing arrangements and changes to land tenure.
- 10 The current housing assessment comes in two parts.
 - There is an assessment of recurrent costs of providing social housing which recognises that Indigenous residents have a higher use of social housing (and remote Indigenous one even higher) than non-indigenous residents, and that the recurrent cost of indigenous households in social housing is greater than that of non-indigenous households (for example because of overcrowding). States with a higher share of indigenous households receive a higher share of GST revenue.
 - The infrastructure assessment recognises that the stock of social housing in States with above average indigenous populations needs to be larger, reflecting their higher use, and that individual indigenous housing units themselves need to be bigger.
- 11 Based on our understanding at the time of the 2015 Review report we considered that NPARIH would see the States take control of existing remote Indigenous housing assets as well as build new State housing stock in these areas, and expend NPARIH funds on the management of these assets for example through repairs and the negotiation of new leasing and tenancy arrangements. We therefore considered that NPARIH funding would be used for functions which were assessed and that as a consequence that funding should have an impact on the GST distribution. Not to do so would see both that funding and the GST distribution addressing the same set of disabilities, and fiscal capacities unequalised.

- 12 However, more recent information suggests that NPARIH is in practice a much more complex arrangement. For example in some States existing housing assets are becoming State assets, while in others States are taking control but not ownership.
- 13 While, for example, the Northern Territory in its response to the 2010 Draft report drew attention to the impact of Commonwealth policy on the housing legacy it is moving to now manage, the extent of the differential impact of past Commonwealth policy has become a little clearer. For example we understand that the Northern Territory has a greater proportion of remote Indigenous housing on Commonwealth leased land. Taking over the management of those houses by the Northern Territory involve greater costs because of sub-leasing and / or lease transfers that have to be negotiated.
- 14 In the 2015 Review report process concerns about NPARIH addressing past underinvestment were raised as a reason for the Commission not taking this funding (or that part of it relating to increasing the stock of housing) into account in the GST distribution process. The Commission's general position is that funding to address past underinvestment is of itself not a grounds for isolating that funding from the GST distribution. The equalisation process would allow that all States can appropriately address any underinvestment, excluding that caused by differences in State policy.
- 15 However in considering this program which encompasses the transfer of responsibility from the Commonwealth to the States for remote Indigenous housing, the impact of the Commonwealth on the interstate distribution of the legacy stock being transferred has been raised as a possible disability which is not taken into consideration in the Commission's assessments.
- 16 We understand that the logic would flow along these lines. The Commonwealth's funding of investment in remote Indigenous housing varied across the States and the distribution of the resultant stock does not align with a distribution reflecting underlying use patterns. Evidence on differential overcrowding is used to support this case. As the States move to take over responsibility and management of this stock there is a differential gap between the inherited stock and the stock that a State would be assessed to need to provide the average level of service. That differential gap is the result of Commonwealth policy. It is a disability which NPARIH funding is aimed at (as well as raising the average quality and quantity of remote indigenous housing stock), and which is not a disability in the equalisation methodology.

Way forward

- 17 We understand that the way NPARIH funds are used will vary State by State, and over time, but if we are to reconsider the treatment of NPARIH we would like to compile better information on how States have actually used the funds they have received.

Where, for example in the GFS framework have States recorded their use of NPARIH funding? We propose to send out a separate data request in the near future.

- 18 We are also interested to know, if States are acquiring new assets either by their transfer from the existing owners or the construction of new State owned assets or leasing those assets. Any data State could provide on how their stock of remote indigenous housing is changing because of NPARIH would be welcome.
- 19 Based on the limited data we have, a significant proportion of NPARIH funds in 2013-14 appears to have been used to negotiate new tenancy and leasing arrangements. We are interested to know what this entails and if there is any legacy of differential Commonwealth policy on these costs.
- 20 To be able to consider the case for a possible unassessed disability as set out above we would welcome State views and advice on the relative contribution of Commonwealth and State policies to the stock of remote indigenous housing. Our understanding is that the Commonwealth was the predominant funder of remote indigenous housing stock pre NPARIH. If this is not the case, then, for example, differential overcrowding might reflect differences in State policy as well as other factors.
- 21 We would also welcome any other State advice on the appropriate treatment of NPARIH from an equalisation perspective.
- 22 We ask for responses by Friday 16 October.