



Northern  
Territory  
Government

**COMMONWEALTH GRANTS COMMISSION  
2016 UPDATE – NATIONAL PARTNERSHIP  
AGREEMENT ON REMOTE INDIGENOUS  
HOUSING**

Northern Territory Response to August 2015  
Staff Discussion Paper

October 2015

## Introduction

The Territory welcomes the Commission's decision to reconsider the appropriate treatment of the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in its assessments. This submission provides the Territory's response to Commission Staff's *National Partnership Agreement on Remote Indigenous Housing Discussion Paper*, in particular the historical context behind the NPARIH, the significant level of unmet need in the Territory and the above-average costs faced by the Territory in managing NPARIH housing assets.

NPARIH is a critical initiative for the Commonwealth and Territory Governments in addressing the significant overcrowding in many of the Territory's Indigenous communities as a result of the acute shortage of suitable housing in these areas. Consequently, the Territory remains strongly opposed to the Commission's decision in the 2015 Review to differentially assess the funding states and territories (states) receive under NPARIH, as this does not recognise the fact that this funding is aimed at addressing significant unmet need arising from historical underinvestment in remote Indigenous housing by the Commonwealth.

As the Commission has noted in the past, the equalisation process does not give states the capacity to address unmet service delivery needs. On this basis, the Territory considers that Commonwealth funding that is aimed at addressing this unmet need should therefore not be equalised. The Territory strongly urges the Commission to quarantine Commonwealth NPARIH payments from equalisation. Including these payments would all but completely unwind the investment in remote Indigenous housing in the Territory.

# National Partnership Agreement on Remote Indigenous Housing

The Territory considers that:

- NPARIH payments should be quarantined from the Commission's assessments;
- the Territory does not own any NPARIH housing assets and only manages them through temporary lease arrangements;
- NPARIH funding received by the Territory is aimed at addressing a significant level of unmet need arising from historical underinvestment by the Commonwealth in remote Indigenous housing; and
- the Commission's current assessment of expenses relating to the management of NPARIH housing assets does not adequately capture the relevant costs.

## *Ownership of housing assets*

- 1.1 In the 2015 Review, the Commission decided to differentially assess Commonwealth payments to states under NPARIH, on the basis that states have been assuming greater responsibility for the delivery of remote Indigenous housing since the 2010 Review. However, this is not the case in the Territory.
- 1.2 The Territory agrees with Commission staff's view that NPARIH is very complex and there are quite different arrangements in place between the Commonwealth and each state. In the Territory, the arrangement is such that the Territory only manages remote public housing assets.
- 1.3 Of the 75 Indigenous communities and town camps in Alice Springs, Tennant Creek and Borroloola managed by the Territory, there are 62 where the Territory has a sub-lease arrangement to enable it to undertake property and tenancy management activities under the NPARIH. The Territory does not own any of the housing assets in these communities. One community does not require a lease, two communities are on freehold land and a further two communities are finalising native title claims.
- 1.4 The Territory is in the process of supporting the Commonwealth who are negotiating 99 year long-term leases in the remaining 11 communities. Any new construction or refurbishments to exiting houses in these communities will only become assets of the Territory if there is a sub-lease arrangement negotiated to 30 June 2018, after which ownership falls to the relevant holder of the head lease, which may be the Commonwealth or an Indigenous entity formed by traditional owners.
- 1.5 A list of current lease arrangements between the Territory and Indigenous communities, including the expiry dates of each lease, is provided at Attachment A.

The Territory is providing this information in confidence and requests that it not be publicly released.

- 1.6 In the 2010 Review, the Commission excluded NPARIH payments from equalisation on the basis that they related to improvements to assets not owned by the states. As shown above, the Territory manages remote Indigenous housing assets through temporary leasing arrangements and will not assume ownership of these assets at the end of the leases. Consequently, the Territory urges the Commission to recognise this in its approach to deciding the treatment of NPARIH. Ignoring the Territory's arrangements would compromise equalisation.

### *Unmet need and the influence of past Commonwealth policy*

- 1.7 The Territory considers that an understanding of the historical context underpinning the NPARIH is essential in determining how payments under the agreement should be treated for the purposes of achieving horizontal fiscal equalisation.
- 1.8 In 2007, the Commonwealth and Northern Territory Governments signed the *Memorandum of Understanding (MOU) on Indigenous Housing, Accommodation and Related Services*, under which \$793 million of funding was committed over four years from 2007-08. Of this amount, \$414 million was allocated to new construction, repairs and upgrades, while the remainder related to the Commonwealth's Northern Territory Emergency Response and existing minor infrastructure programs.
- 1.9 The MOU made it clear that the funds were aimed at addressing a backlog of Indigenous housing in the Territory. In particular, Clause 14 states:

*The Australian Government notes the Northern Territory Government's requirement, as outlined in the letter from the Chief Minister to the Prime Minister of 13 September, that the entire \$793 million commitment to addressing the backlog in Indigenous housing needs to be quarantined from the fiscal equalisation methodology of the Commonwealth Grants Commission (distribution of GST revenue).*

- 1.10 In 2008, the NPARIH was signed, subsuming previous Commonwealth and Territory Government arrangements on the delivery of Indigenous housing and the related infrastructure in remote areas, including the MOU. The stated objective of the NPARIH is to address overcrowding, homelessness, poor housing conditions and severe housing shortage in remote Indigenous communities.
- 1.11 The Territory's NPARIH Implementation Plan (IP) outlines the minimum land tenure arrangements that must be in place before commencement of construction on any project is agreed, including either the Commonwealth or Territory governments having access to and control of the land on which construction will proceed for a minimum period of 40 years.

- 1.12 Further, the IP acknowledges that historically there has been a sub-standard provision of housing and related services to Indigenous people and commits to ensuring that all new housing and upgrades will comply with the national Building Code of Australia and any other relevant Australian Standards.
- 1.13 The IP also details a number of measures which indicate the extent of the housing shortage and sub-standard provision of remote Indigenous housing due to Commonwealth policy. Based on the parameters of the Canadian National Occupancy Standard (CNOS), which measures overcrowding in households, the IP shows that 3275 houses in the Territory were overcrowded at the time of signing (that is, they required one or more additional bedrooms to meet the parameters of the CNOS). To address this level of overcrowding, the IP set out a construction target of 1456 new houses in the Territory by 2018, which made up almost 35 per cent of total additional housing required throughout Australia over the same period.
- 1.14 Similarly, the IP shows that 2052 houses in Territory communities needed to be replaced or significantly upgraded, which accounted for around 42 per cent of all houses requiring refurbishment in remote Indigenous communities across Australia.
- 1.15 This shows that the Territory has a significantly higher than average need, which reflects the historical sub-standard provision of remote Indigenous housing under Commonwealth policy. It is clear from the establishment of these baseline measures and benchmarks that the Territory's higher than average share of NPARIH funds is aimed at addressing its higher than average share of the housing shortage and sub-standard provision of remote Indigenous housing. It is also clear that this shortage is due to factors beyond the Territory's control.
- 1.16 The Commission has often stated that the equalisation process does not provide states with the fiscal capacity to address unmet need. It therefore follows that the Commission should not seek to equalise Commonwealth payments that aim to do so.
- 1.17 The Territory's principal position is that NPARIH payments should not be included in the Commission's assessments. However, should the Commission decide to continue the inclusion of NPARIH, the Territory considers that this should, at a minimum, include differential assessment of the relative levels of housing stock and need for new and refurbished housing in each state. In addition, the Territory considers that a further differential assessment be incorporated to account for higher operational expenses incurred in managing Indigenous housing due to the impact of Commonwealth policy, as discussed below.

### *Assessment of expenses*

- 1.18 The Commission's current assessment also aims to capture the costs relating to the management of NPARIH-funded houses. However, as Commission staff have noted,

this expense assessment may in fact be understating the costs faced by some states as a result of factors such as the additional costs incurred through leasing agreements.

- 1.19 Around 50 per cent of the Territory's landmass is owned by Indigenous communities and, as such, a significant proportion of remote Indigenous housing in the Territory is managed under leasing agreements with land trusts. This presents a range of additional construction and tenancy management costs that would not otherwise be incurred. For example, the Territory Government pays regional council rates for municipal services on all housing lots it leases. In the period of major construction, the land council charges lease rates on all land used by the Territory Government for workers' camps, lay down areas, assembly areas and the storage of materials as well as royalties on any extraction of resources from those lands i.e. gravel and sand. These costs would not be incurred if the housing stock being constructed or managed was on land owned by the Territory.
- 1.20 Given the above, the Territory urges the Commission to include in its expense assessment an adjustment recognising the additional costs of managing housing assets on land that is not owned by the state government.