

**COUNCIL OF TERRITORY COOPERATION**

**Litchfield Room, Parliament House**

**Monday 9 November 2009**

The committee convened at 11 am.

**Mr CHAIRMAN (Mr Wood):** I declare open this meeting of the Council of Territory Cooperation and welcome the following witnesses who are appearing before the council to brief it in relation to its terms of reference. This hearing is open to the public and is being recorded. A transcript will be produced and will be available to the public. In certain circumstances, the committee may decide that evidence, or part thereof, can be taken in camera and remain confidential. Please advise me if you wish any part of your evidence to be in camera, but I remind you that this is at the discretion of the committee. You are reminded that evidence given to the committee is protected by parliamentary privilege. For the purpose of the *Hansard* record, I ask that you state your full name and the capacity in which you are appearing today. I also ask that you state your name each time you speak.

Before I get into more formalities, I would like to say that this is the first public meeting of the Council of Territory Cooperation. The purpose of the council is to investigate a number of key government programs, specifically the Strategic Indigenous Housing and Infrastructure Program, Local Government Reform, and *A Working Future*. The council is unique in that it is made up of two members of the government, two members of the opposition, and two Independents. It is hoped that, in the spirit of cooperation, we can work together to help oversee these programs so that Territorians will benefit.

Today's meeting will consider the objects of each program, the present state of each program, how it compares to any goals set, and what is needed to achieve these goals. Members of the committee will be invited to ask questions of those appearing before the committee to enable members to better understand and scrutinise the policies. All these programs are long-term programs and it is envisaged that the council will report to the government on a continuous basis over the life of this project.

First, I would like to welcome the members of the committee. We have on my left the member for Katherine, Willem Westra van Holthe; Marion Scrymgour, member for Arafura; Michael Gunner, member for Fannie Bay, John Elferink, member for Port Darwin; and me, the member for Nelson. Also helping us today is Michelle Nuske, Pat Hancock and Kay Moorhead on the sound.

I also welcome the members of the media and members of the public who have come along to take an interest in what is an historic occasion; it is something I hope will be of benefit to the Territory, and only time will tell.

**DEPARTMENT OF THE CHIEF MINISTER  
Mr Ken Davies, Deputy Chief Executive**

**Mr CHAIRMAN:** I welcome Mr Ken Davies, the Deputy Chief Executive, Department of the Chief Minister. Mr Davies, I welcome you, and if you have an opening statement we would be happy to hear from you.

**Mr DAVIES:** I do. Thank you, Mr Chairman.

My name is Ken Davies, I am the Deputy Chief Executive, Department of the Chief Minister and, as you say, I have the floor before the review today to talk to you about the Strategic Indigenous Housing and Infrastructure Program for that review conducted in August 2009. In the context of the review itself, I would like to start off with a statement which talks broadly about the context of the review, then the findings of the review, and then open it up to questions.

I have brought for members today the actual review itself, the review document and it contains an Executive Summary and some attachments. I have brought that across for formal tabling.

The review was conducted asking the following questions: the program has been slow to deliver housing, that is under the context of timing; the governance of the program is overly bureaucratic, that is, governance; the program is too costly, total cost of the program including unit costs, and program administration are too high - so administration costs were too high.

I conducted the review in concert with Amanda Cattermole, a senior officer from FaHCSIA, and the review was put in place by the federal minister, minister Macklin, in concert with the Chief Minister in the Northern Territory.

The key messages from the program were as follows:

- overall, the program design was sound; that is, we did not find anything that made us think the overall SIHIP approach and the alliance model needed to be changed;
- certain high level aspects of the program needed to be addressed. These had been identified early enough to ensure the program met its objective within the original time frame; and
- we also found, at the very high level, the program needed refocusing to achieve its targets of 750 houses, 230 rebuilds and 250 refurbishments.

As the review was being conducted, Amanda and I were responsible for ensuring as we found issues which needed addressing during the review process, we did not wait to finally write the review and come up with the recommendations to make the changes. So whilst the review was being conducted by me and a Commonwealth officer, we also implemented some changes, particularly around program management costs and also in terms of unit costs of the program. We did some work with the alliance teams whilst the review was being conducted.

**Mr ELFERINK:** Can I just stop you there. Just to confirm, this is the same review that Dr Harmer was referring to in the federal Senate?

**Mr DAVIES:** That is correct, it is the same review. So in terms of the findings in the review document there, we identified some changes which were needed in several key areas in the program, and in relation to governance, we determined there had been unresolved leadership and capacity issues in the delivery of the program, and these lead to key elements of SIHIP, such as community engagement and employment work force development, being devolved to external consultants when they should more properly have been directed at the community level by government. This changed the balance between the program outcomes and led to estimated unit costs in the first three packages of works that were clearly, in terms of the dollars available, going to mitigate - the unit costs were going to mean, in the first stage packages, we would not be meeting the metrics of the program.

If these costs had been allowed to continue in future packages of works targets would not have been achieved over the life of the program. Accordingly, the review had already given direction to reduce unit costs in future packages, while ensuring all the houses built under SIHIP complied with the building code of Australia and the National Indigenous Housing Guide.

We also determined the layers of management in the program needed to be reduced from six to three levels, and there needed to be greater control by both the Australian and Northern Territory governments over the day to day operations in management of the program. In addition, there needed to be a greater level of involvement by the Australian government in program management, particularly to resolve issues which were threatening the achievement of program targets, and we introduced a new management structure that placed both governments firmly at the operational level of the program in direct contact with the alliance partners.

We identified savings and reduced administrative complexities, decreased the program management costs to 8% of the program budget over the life of the program. On unit costs, the program needed refocusing to achieve its target of 750 houses and 230 rebuilds and 2500 refurbishments. The estimated unit cost target set at the start of the program was an ambitious target. The original unit cost, Chair, was estimated at around \$350 000 per new house. This was based on some old contracts which had been let to build housing in remote communities where the housing costs varied between \$290 000 - the cost of building a new house - \$290 000 to \$560 000. They were fixed priced contracts and the original estimates were made based on these figures, in terms of the program were set at \$350 000 per house.

The revised unit cost, given the findings were set at \$450 000 for a new house. On cost, that is the cost which had been spent in the program to date, \$45m had been spent to date under the SIHIP, \$128m in capital costs was committed for the first three packages already approved, and \$359m is committed to six packages currently being scoped by the alliance partners, and on page 25 of that review document you have with you, you will find the breakdown of the \$45m which had been spent under the SIHIP to date.

While the ratio of program management establishment costs to capital costs was elevated at the early stages of the program, this will rapidly be reduced as the capital works move in to full operation. Over the life of the program for every \$11.50 spent on the delivery of capital works, \$1 will be spent on managing the program.

**Mr ELFERINK:** Sorry, can you repeat that?

**Mr DAVIES:** Through the Chair, Mr Elferink, over the life of the program for every \$11.50 spent on the delivery of the capital works, \$1 will be spent on managing the program. So, in that context, the total program management costs will be down to about 8% of the total program and if you refer to the document on the back page of the review, the last document, it will give you a quick snapshot of the total cost of the program and outlines the 8% for project management costs and then the contingencies which have been set aside for the program costs.

We also found 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 NP and Northern Territory government programs. In the context of the total program, this means the \$674m which has been allocated for housing will be spent building houses. The infrastructure costs will be drawn from the national partnership and Northern Territory government programs going forward. Over the 10 year life of the national partnership, and following the outcomes of audits, the governments will need to work together to establish long-term financial arrangements.

On the timing issue, there had been a three month delay against original timeframes in work commencing at three locations, Groote Eylandt, Tiwi Islands, and Tennant Creek. This delay was largely due to underestimates by the integrated program team of the time required to develop the initial packages of the works. However, we did find that the SIHIP lead times for construction, which are set at around 13 months, are less than those under the most recent large-scale Australian government remote Indigenous housing program, the National Aboriginal Health Strategy (NAHS) which commenced in 2001, where the lead program, from visit to community, scoping the works required, doing the contract, letting the contracts for a fixed price, and getting them on the ground was 17 to 18 months.

The continuation of housing construction, under pre-existing Indigenous housing programs, has ensured housing provision at a level consistent with the previous years, while SIHIP moves to full implementation. If I could ask members please to go to page 39, that is attachment D ...

**Mr ELFERINK:** This is the 102 houses which have been built?

**Mr DAVIES:** That is correct.

**Mr ELFERINK:** Okay.

**Mr DAVIES:** That refers to the houses which were being built concurrently while the SIHIP program was gearing up.

**Mr ELFERINK:** But to be clear, that is just the old housing program.

**Mr DAVIES:** That is the old housing program, yes.

**Mr ELFERINK:** Which had been identified as not reaching the benchmarks required for the increasing population in these remote communities?

**Mr DAVIES:** That is correct. Through the Chair, when this whole package, around meeting unmet need, was discussed in 2007, by the previous federal government, and then its move into a full-blown SIHIP program with the new federal government, as part of the broader national partnership, which is \$5.5bn nationally over 10 years. The Northern Territory has picked up the most substantial element of that, \$1.7bn over 10 years, and SIHIP is a key element which sits under the national partnership arrangement.

**Mr ELFERINK:** That is through the ...

**Mr DAVIES:** We will go back to what Mr Elferink was saying. The issue is about addressing the unmet need, and those early conversations, running through both governments, had been about the unmet need in

housing, Indigenous population growth, and the issue of making sure infrastructure was at standard, has all been part of the build-up to this program.

**Mr ELFERINK:** To be clear, the 102 houses referred to were not constructed under the SIHIP program.

**Mr DAVIES:** That is correct.

**Mr CHAIRMAN:** Member for Arafura.

**Ms SCRYMGOUR:** I was just going to ask a question; I thought we were going to wait until Ken had finished. If you talk about the unmet need, and look at those communities where SIHIP is going – say, for instance, Wadeye. If you project the population in that community at the moment, given the backlog of housing, how does the present program of SIHIP address the unmet need of that community?

**Mr DAVIES:** It is going to build a substantial number of new houses so, in the new housing program out there, you can expect to see in excess of 100 new houses at Wadeye.

**Ms SCRYMGOUR:** That is for Wadeye – 100 new. That is under SIHIP?

**Mr DAVIES:** Under SIHIP, that is correct.

**Mr CHAIRMAN:** Just before we ask more questions, do you have much more to say on your ...

**Mr DAVIES:** Just on the time issue, if I could.

**Mr CHAIRMAN:** Finish your opening statement and, then, we will come to questions; that will be better.

**Mr DAVIES:** In the timing, there would always be a lead time between project initiation and commencement of construction in any given location, but this period will be minimised now the program is fully established. 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. So, in the context of the actual attachment D, the 102 for 2007-08, which was outside of SIHIP, we are expecting to see in 2010 a doubling of the number built under SIHIP.

The review then made some recommendations. The review suggested or advised: the Australian government should take a stronger leadership role in the delivery of the program, and an assessment of the revised arrangements be made by the end of 2009; the Australian government take on a leadership role in community engagement in partnership, or in conjunction with, the Northern Territory government to ensure the program parameters consistent with the delivery of public housing are in place to meet the targets; work be undertaken to complete the analysis of lessons learnt from the first round of package development reports and these be implemented for future PDR development in conjunction with other reforms to be explored with alliance partners; to increase the visibility and public accountability of targets and time lines and they be made publicly available once they are set; the governments to reach appropriate resources to transition Indigenous employees under SIHIP into ongoing employment going forward once the building programs and the refurbishments are completed; and 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 going forward. That specifically relates to the tenancy management programs and the public housing model going forward.

**Mr ELFERINK:** Mr Chairman, I have several lines of questions. I am wondering if I can explore those as quickly as I can?

**Mr CHAIRMAN:** All right, I just want to clarify if they come in at a certain point, or does anyone have an overall question they would like to ask?

**Mr ELFERINK:** They all get pertain to the opening statement, essentially.

**Ms SCRYMGOUR:** Just to clarify, you will ask a series of questions and the rest of us who have a question can ...

**Mr CHAIRMAN:** Yes.

**Mr ELFERINK:** I want to see if I can get through a series of ...

**Ms SCRYMGOUR:** Okay.

**Mr CHAIRMAN:** I will keep an eye on it.

**Mr ELFERINK:** A couple of things come out of this. I heard from the last or closing part of your opening statement, there is a reference to the Australian government taking a much greater role. Why was that determined as being necessary?

**Mr DAVIES:** Mr Elferink, the answer there is it is such a substantial program, and one of national significance. The national partnership arrangements have been negotiated nationally, normally leave the implementation to the state and Territory governments. In this instance, given the unmet need, the joint recognition, and the joint responsibility for many of the housing programs and, indeed, outstations in the past, the review determined the best way to get the best outcomes would be to create a joint management structure.

The Australian government was very keen and focused to make sure that the program met its metrics, and we agreed that, to drive the program outcomes, it would be best for those Alliance contractors that have been engaged to get a joint message from both governments concurrently, rather than through tiers of administration and bureaucracy.

**Mr ELFERINK:** I note that Dr Harmer, in his testimony to the Senate, points out quite clearly, in fact, he says, in a question put to him whether the Northern Territory government was reaching its targets, to which he says, clearly, no. Based on the answer that you have just given in relation to the size of this project, why was it not determined in the first place that, under the national partnership payments, this approach would be taken? Is it a case that the Northern Territory government has discovered that this is too big for them to handle?

**Mr DAVIES:** Through the Chair, in terms of the issue of the Australian government being involved in this, the answer is that we already have a couple of arrangements where the Australian government is working very closely with us in a joint way. So, remote service delivery national partnership arrangement, we are setting up regional operation centres to jointly drive the remote service delivery national partnership in 15 remote locations. In relation to the Alice Springs Transformation project and the Alice Springs town camps, we are jointly managing that program.

In relation to this program and its targets, the Northern Territory, in the first stages of the package, and when the first packages were developed, particularly on the Tiwis and Groote Eylandt, when the community engagement process was conducted, the scale of the houses, that is, the size of them, meant that the costs escalated to the point where there would not be, given the amount of money available, if we continued to escalate the size of houses and the cost of the houses in the way they were, that we would not be able to meet the metrics of the program across the board.

**Mr ELFERINK:** I take it then that the Northern Territory government believed it could meet the metrics in the first instance, then this became a national issue. The review was done in August this year and, all of a sudden, the federal government, essentially, exerts a much greater control over the program. Yes?

**Mr DAVIES:** Through the Chair, the Australian government is certainly working with us much more closely in terms of the way the program is being administered and, in relation to those targets, is making sure that there is a clear focus right across the board in relation to those metrics.

**Mr ELFERINK:** With the issue of the metrics not being achieved, when was the Northern Territory minister advised that there were problems with meeting the targets?

**Mr DAVIES:** The review was called by minister Macklin in July, and we had four weeks to conduct a review. It was done as a consequence of a wide range of issues that were being aired publicly. In terms of the actual point at which the Northern Territory government minister was made aware that a review would be conducted, then that was done in negotiations in July.

**Mr ELFERINK:** The question was: there were problems with the metrics? Clearly, that was identified before the review was done. When was the Northern Territory minister advised that there were problems with meeting the targets?

**Mr DAVIES:** Through the Chair, that is probably a question that is better directed to the Chief Executive of LGH, who will be appearing later in the program.

**Mr CHAIRMAN:** That is fine. Can you keep that question until later?

**Mr WESTRA van HOLTHE:** I note that, where there are 102 houses that have been completed in 2007-08, it says 66 in 2008-09, and they are completions. Is that correct?

**Mr DAVIES:** That is correct.

**Mr WESTRA van HOLTHE:** How many new houses have commenced under either SIHIP or the old programs since, say, the end of 2007?

**Mr DAVIES:** Member for Katherine, in terms of what the program is currently delivering, that would, again, be a question better taken up with Andrew Kirkman, and the Chief Executive of DLGH. What I can talk about is the specifics of the review, so if you are talking about how many have actually been delivered to now in terms of new houses, that would be a question better directed to him.

**Mr WESTRA van HOLTHE:** I am happy to defer to that.

**Mr DAVIES:** I can tell you, once this program gears up the projection next year is for a minimum of 150 houses to be built in 2010 through the alliance process, and the expected target which Mr Harmer referred to in his estimates, is closer to 200 next year. So what we have been doing is gearing up the program, getting the land tenure settled, getting the alliance teams established, getting them onsite, getting stage one packages developed, and then looking at the stage two packages. The program is really going to be gearing up and winding forward in 2010.

**Mr ELFERINK:** When did the program actually start?

**Mr DAVIES:** SIHIP actually commenced in - the NPA on remote Indigenous housing was signed on 1 January 2009, in terms of ...

**Mr ELFERINK:** It has been around longer than that, has it not?

**Mr DAVIES:** Yes, it has.

**Mr ELFERINK:** When did SIHIP start?

**Mr DAVIES:** In 2008.

**Mr ELFERINK:** In 2008. What date in 2008 did it kick off?

**Mr DAVIES:** The specifics of the day - please bear with me. Minister Macklin and Chief Minister Henderson announced the landmark housing project in April 2008.

**Mr ELFERINK:** April 2008, so SIHIP had been contemplated and spoken about even before April 2008, in fact, as early as 2007.

**Mr DAVIES:** The original discussions about dealing with the backlog certainly were ongoing in 2007 jointly between the Australian government and the Northern Territory government. The announcement of a formal SIHIP program was in April 2008.

**Mr ELFERINK:** How many houses have been constructed from new, and been moved into by Aboriginal people to date?

**Mr DAVIES:** Again, through you, Chair, I would like to refer that question to the Chief Executive of DLGHH.

**Mr ELFERINK:** I suspect the answer to that question is - none.

**Mr CHAIRMAN:** Well, we can ask the CEO ...

**Mr ELFERINK:** Surely Mr Davies would be in a position to know the answer to this question. He did do the review.

**Mr CHAIRMAN:** We are meeting all of today, so I am sure the CEO will look at the current number of houses.

**Mr DAVIES:** I can say, Mr Elferink, through these packages particularly on Groote, the Tiwi Islands and Tennant Creek, there are early works going on, there are refurbishments currently going on. So, in terms of the specifics of the number of houses which have actually been constructed from a green field site, I do not have that number with me.

**Ms SCRYMGOUR:** Through the Chair, and following on from the member for Macdonnell, I note the head of the Commonwealth department, Doctor Harmer, did say there was no two years delay as implied, but there had been a three month delay of this. I understand you are dealing just with the review, and I continue from my question earlier: on a community like Wadeye, to deal with where the confusion is, Wadeye was part of the COAG trial and if we have a look at where Wadeye started in 2007, the separation and the information of what was part of the COAG trial numbers in terms of housing, and separating that from houses going to be delivered to that community under SIHIP; because I believe some of the confusion starts coming in with the national partnership agreement.

For a community like Wadeye, what was housing under COAG, and what was the housing under SIHIP. You say the review and all this was to deal with the unmet need of housing in communities. So you look at a community like Wadeye, surely both governments had the information about that unmet need. What has been delivered to communities like Wadeye, and I am going to start with Wadeye, but I think one of the other communities I am interested in is Maningrida.

**Mr CHAIRMAN:** Do you have a question?

**Ms SCRYMGOUR:** Yes.

**Mr CHAIRMAN:** And what question?

**Ms SCRYMGOUR:** The question, Mr Chair: Mr Davies, you said 100 houses for Wadeye, but what, on top of those 100 houses, is going into that community which is separate through the COAG trial, but has been done? What houses have been completed in Wadeye through the COAG as well as SIHIP?

**Mr DAVIES:** Okay ...

**Ms SCRYMGOUR:** Or does that go back to ...

**Mr DAVIES:** Well, through the Chair, what we would need to do there is go back and actually disaggregate these numbers at attachment D to find out what new houses had been built at Wadeye, if there were any in this program. Outside of that, Ms Scrymgour, I cannot be specific around what was completed under old programs, or what refurbishments have been done under old programs. I can say to you the housing investment going into Wadeye is going to be substantial, and we will be gearing next year. It will be substantial both in terms of new houses, rebuilds and refurbishments, but I cannot draw a line for you here today to say X number of houses were built under the old housing program and this is ...

**Ms SCRYMGOUR:** If I could, Mr Chair, following on from that, who is compiling that information? I mean in terms of the demographics; the profiling of that community. Someone must be profiling each of these communities so you have an understanding of how many houses are being built. Wadeye is just one community where this program is happening. Anyone of interest should be able to look at Wadeye. What is the profile of Wadeye? How many houses are being completed, how many new houses are on schedule, refurbishments? Surely that level of information should be getting compiled, whether it is the Australian government or the Northern Territory government, so you keep track of what is being rolled out, because it all gets down to money. Who is keeping an eye on it?

**Mr DAVIES:** One of the recommendations of the review was those specific elements you have just described would be publicly available. What is happening in that regard, member for Arafura, I would ask if you could direct that question to the Chief Executive of DLGH. He will be able to tell you how the community is being profiled, what number of refurbishments are being done, the number of rebuilds and the number of new houses.

Depending on the stage the package development proposals are at, but quite clearly when the alliance teams go out on the ground to negotiate at a community level, they have very detailed data on the current

housing stock. They do surveys on what needs to be done, what houses are beyond repair and they also have an eye to demographics when they do that.

**Ms SCRYMGOUR:** Okay.

**Mr CHAIRMAN:** We are hoping to have a spreadsheet available today which will give us that detail to use as part of our discussions.

Can I ask a question in relation to the statement that the cost of housing skyrocketed and the review decided a house now would have to be built for an average of \$450 000. On what basis was that figure calculated? Does it mean a smaller house; that is in relation to room size? Does it mean a cheaper house which will not last for four years? Does it mean we will get a larger number of single bedroom houses than maybe we were originally forecasting, to make sure we fit within the \$450 000 price tag?

**Mr DAVIES:** There are a range of questions, through the Chair, but I will have a go. The original houses in the package 1 projects, as you know, the community consultations on the ground, in some of the packages and some of the houses which were designed, meant that costs grew substantially beyond the \$450 000.

Given there is a bucket of money, and this is a public housing model, we are not building mansions; this is a public housing model. At a very early stage in the review, we went back to work with the alliance teams to identify what we could build, in terms of a 3-bedroom house, and it was costed in the context of a reasonable cost we could get to, and \$450 000 was an estimate we worked through with the alliance teams which we could live with. Understanding that to build those houses in some locations, it is going to cost more, but in other locations, where there are economies of scale, it may not cost the \$450 000. But to meet the metrics of the \$673m and the program targets, the \$450 000 per house was set.

**Mr CHAIRMAN:** I understand that, but are we going to find, to meet this pre-set budget, which the government is saying, it will fit within, there is going to be, not so much a lowering of quality of a mansion, but the actual house will be of a lower, smaller size and a lower quality size, which would not normally have been the size house you would have produced under other programs.

**Mr DAVIES:** The size may, through ...

**Mr CHAIRMAN:** I am talking bedroom size.

**Mr DAVIES:** In terms of the scale of the building, the size may come down, but the lifespan of the house is a design of 30 to 40 years; it will not compromise on the quality of the materials or the amenity it provides. Whilst the size to accommodate large family groups, we may have to – again, these are some questions I would like you to direct to Andrew Kirkman, the head of SIHIP, and Amanda Cattermole - there will be capacity to build houses jointly on sites if necessary, some communities may in fact not want a 3-bedroom house for some elements. They may, because this is a public housing model, opt for 1-bedroom or 2-bedroom places, depending on what the community's specific needs are. Understanding that in some cases, the \$450 000 may be exceeded, where there are issues around disability. For instance, at Groote Eylandt with the Machado Joseph disease, the houses have to be built to comply with disability standards. The standards will not be compromised in terms of the design and the durability will be built in.

**Mr GUNNER:** Mr Davies, you said at the top of your introductory comments, potentially you found the alliance model was sound, it was working, and essentially it was seen as a better way of delivering housing than the previous programs which were in place. My understanding is, rather than rushing into the SIHIP model, the alliance model, there was a phasing period, so houses which were still meant to be constructed under old programs are still being built, that is essentially the 102. I believe there has been some confusion about when SIHIP was first talked about, or the commencement of SIHIP, and when it was meant to commence.

There was not a case of no houses being built; it was a case of houses still being built under the old programs while phasing into the SIHIP programs. I believe you found in your report there was a 3-month delay and, essentially, as you went through your inquiry with the federal government, you found things that you could fix as you go, as you went, but there has been a 3-month delay now. The findings you made as you went, plus the recommendations of the report, do you think the delay has now been addressed, and that we will be on top of those time frames? I was also addressing the fact there has been confusion between the commencement of the program and when the first house was meant to be built.



**Mr DAVIES:** The answer to this, in the scaling up of the program, there is no doubt the building program targets will be met. In those initial stages, there was a three month delay but, given the new governance arrangements which have been put in place and the way the alliance teams are geared up, we expect to well and truly be meeting those targets going forward - absolutely.

That comes back to another question raised by Mr Elferink about the program itself, and the joint role the Australia government is now playing with us. There have been some lessons learned in this project; certainly from the SIHIP review. One of them was this is a very complex project. This has never been tried before in remote Australia. In the past remote building programs were usually has been driven by fixed price contracts, ad hoc arrangements where houses have been built and there has not been a tenancy management program follow and, sometimes, the life span - it says it in the review - meant the life span of the houses which were built in quality terms was between eight and 12 years. This program will not deliver that. This program is a major program that will gear up and will meet the metrics. In timing next year, 2010, given all the work that has now been done in the set-up phase, we will start to see 150 houses minimum, up to 200 houses delivered, according to Mr Harmer.

**Mr CHAIRMAN:** I just comment one thing on that. I lived at Daly River for a long time. There are houses there that are 40 years old, and they were built using either mission or government money, and they are some of the best quality houses you will see. They were built under just a housing association. Why was that not picked up and gone with in the case of Bathurst Island? Why was the quality not controlled by the NT government, because we know this alliance system has cost a lot of money in administration - you admitted yourself - and also the process was so complicated it was very hard to even work out how it was going to operate. I know you streamlined that. Why could you not have worked on the best examples of housing in the Northern Territory and gone down that path?

**Mr DAVIES:** I will go back to the review through the Chair. Given the scale of this project, this was not about \$673m being divided up into a whole range of, say, 60 or 70 small packages of \$10m. This was a major infrastructure program that was going to test issues of scale and design consistency right across the board in remote Northern Territory. So, it is a different program to the way the old programs were delivered. That may well have been the case at the Daly where you were, Mr Wood, but there were plenty of other examples where that model delivered very poor standard housing. In fact, there was no concurrent tenancy management program that followed after the house was built, nor was there any prerequisite for land tenure. So, nobody owned those houses. That is the difference with this program.

**Mr ELFERINK:** A couple of quick questions, Mr Chairman. Following on from some of the questions you asked, I have a line of questions in relation to the contraction of the size of these houses. How much smaller are they going to be?

**Mr DAVIES:** Mr Elferink, in what the \$450 000 is going to deliver, they will be three-bedroom houses. In the actual design and what they will look like, I would like to defer that one to again to Andrew Kirkman, SIHIP Program Manager and the Chief Executive, David Ritchie.

**Mr ELFERINK:** Does it also include the loss of verandahs and those sorts of things?

**Mr DAVIES:** Regarding the housing amenity, there are a set of standards the houses will meet and there will not be a compromise around durability. There will be verandahs spacing. Again, I cannot comment on the size of the verandah space. There will be what you would normally see in a house. It is just the scale. These are houses for public housing; these are not going to be houses that are going to be built to the scale we would see in Bayview.

**Mr ELFERINK:** Is there a sort of document that points out to the alliances what the bare minimum is?

**Mr DAVIES:** Yes, there is.

**Mr ELFERINK:** Has that document changed over time?

**Mr DAVIES:** No, it has not, Mr Elferink, and again, I would refer that question, in terms of the actual standards, I have them here and they are outlined in the review, but in terms of the specifics of what they deliver perhaps if I just ...

**Mr ELFERINK:** Yes, if you could table them.

**Mr DAVIES:** If I just go to the review itself. Can I just go to page 11, please, to ask you quickly? They are going to be built to an appropriate standard. In terms of the actual standard, if you just bear with me, please?

**Ms SCRYMGOUR:** Maybe it is something we can take on notice, Mr Chairman, and provide that information at some stage for the committee today?

**Mr WESTRA van HOLTHE:** He is about to table a document, Mr Chairman.

**Mr CHAIRMAN:** Do you have you a document you can table on that?

**Mr DAVIES:** I apologise for that. I thought I had it with me and I have not.

**Mr ELFERINK:** Can we have that tabled when you have an opportunity please, through you Mr Chairman?

**Mr CHAIRMAN:** Maybe we could get it this afternoon, would that be all right?

**Mr DAVIES:** Certainly.

**Mr ELFERINK:** That then takes me to my next area of inquiry in relation to infrastructure, the second 'I' in SIHIP. You referred to the national partnership payments which, of course, are a product of the intergovernmental agreement. Dr Harmer refers in his testimony to the Senate, that there is a sub-plan in place too that outlines the expenditure of the Territory government to the requirement for infrastructure. The point is made in the Senate that there is no point building houses unless there is a power pole that goes to the house and a sewerage pipe that goes away from the house. Do you have that sub-plan available?

**Mr DAVIES:** Again, through the Chair, I do not have that document with me. The plan that Mr Harmer referred to, again, that question would be more appropriately addressed to David Ritchie, the Chief Executive of DLGH, or to Amanda Cattermole or Andrew Kirkman.

**Mr ELFERINK:** Well, you have referred to this in your review, so you are clearly cognisant of the issue. The reason I ask is because I have heard no public statement or comment from the Northern Territory at all in relation to the supporting infrastructure that is going to go underneath and to these houses. We are told that all of the money that has been earmarked for SIHIP will build houses. We have no evidence before us so far that demonstrates that the NP payments are going to make certain that there is infrastructure that is going to and from those houses in any clarity or any detail. You say that it is going to happen, and Mr Harmer refers to a sub-plan. I am concerned, considering the amount of pressure on other parts of our poor power and water infrastructure, that a larger slice of the NP payments are going to go to non-remote areas. Did you look at a sub-plan at all when you did your review?

**Mr DAVIES:** We certainly talked with Mr Harmer about where they were up to with their infrastructure plans. There is no doubt they are targeting their effort around where the SIHIP building programs are going to go. There are comprehensive infrastructure plans that have been put together to utilise both Australian government funds and Northern Territory government funds in each of these communities to ensure - it would be ridiculous to have a house built, and for there to be no power pole to it, inadequate sewerage and inadequate water supply - that will not be happening. Road infrastructure will be put in. So, concurrent with the housing building program, there are very detailed plans being put together on bringing the infrastructure that services those housing subdivisions to standard, where it is not at standard, and that includes things like sewerage pumps, making sure there is adequate power supply and so on.

So, concurrent with SIHIP there are detailed plans being put together and the alliance teams, as well, are working on these for Groote Eylandt, the Tiwi Islands, Tennant Creek and, as it is rolled out, into Wadeye and Maningrida. Those plans are being put in place and, as I understand it in my discussions with Power and Water, the actual power supply issue in most of these communities is already at a standard where they will be able to meet it. The big issue is around the underground infrastructure to do with pipes, sewerage and also road and connections to the new subdivisions. That is where that is at, and those plans are being developed concurrently.

**Mr ELFERINK:** As I understand it now, there are currently houses being constructed with SIHIP money, although none of them have reached completion yet, but the plans to deliver power and water to these

houses currently being constructed are still under construction. There is actually no sub-plan, or are those plans being actually developed and printed?

**Mr DAVIES:** What is actually happening, through the Chair, Mr Elferink, in the initial stage one packages, early works programs are already going, and some of those early works have targeted the specifics of infrastructure. Much of the initial housing is going to be built on current sites which are already serviced and, as the second stage is flowing into the new subdivisions, that is where the additional infrastructure will have to be provided.

I believe the place to which you are referring in relation to those pads which have been laid, again, that is a question to be directed to David Ritchie and Andrew Kirkman. But my understanding is that this program is all about lining up the various elements of it. The review has been conducted, it is gearing up, the housing building program is underway, and there is a very comprehensive infrastructure program that is flowing, in some cases, but is being planned to be rolled out concurrently. That will be separately costed, so people will be able to see the budget impact of that, and there will be the commitment to spend the \$673m on the housing.

**Mr ELFERINK:** Thank you. It now comes to the point I am curious about. You say it is going to be costed and we are currently five months into the financial year. Has this not already been budgeted for through the normal budget process?

**Mr DAVIES:** In terms of the current sites, the answer is yes, and also in terms of the original SIHIP packages, the stage one packages, they had an infrastructure element built into them. As this program rolls out those infrastructure elements will be accommodated under the NP arrangements and money freed up to build more housing; so it is budgeted for.

**Mr ELFERINK:** What percentage of the NPs have been allocated or dedicated, or what figure has been allocated or dedicated from that \$1.7bn to underwriting SIHIP, or underwriting the houses built under SIHIP?

**Mr DAVIES:** The specifics of what we would draw down out of that to accommodate the new housing subdivisions, is that what you are asking?

**Mr ELFERINK:** Yes.

**Mr DAVIES:** That is a question I would like you to refer to Andrew Kirkman and Amanda Cattermole. I have seen the specifics, I have seen a figure of \$100m, but the specifics I cannot ...

**Ms SCRYMGOUR:** Ken, referring to your report, you talk in terms of unit costs of 11.4% and out of that 11.4%, which has now gone down to 8%. 1% of that goes towards - that 1% out of unit costs you are talking about that gets drawn out, who does that go to? It is in your report.

**Mr DAVIES:** Can you tell me the specifics ...

**Ms SCRYMGOUR:** On page 7, you were saying the program administration costs are running at 11.4% of the program. It has been reduced to 8%, and it talks about the government staff. So where does that 8% - you say \$1 will be spent on managing the program, so that \$1 gets moved. Is that additional to the ...

**Mr DAVIES:** The answer there is that over the life of the program, the way it is now being costed, this is 8% of a total program of 100%. The way it works is that of the total program bucket, \$11.50 will be spent on houses and \$1 will be spent on program administration. Does that make sense?

**Ms SCRYMGOUR:** The program administration goes to the Territory or?

**Mr DAVIES:** It goes to the Territory, it goes to project management costs, it goes to facilitating the coordination, the design parameters and that sort of thing. An 8% program management cost is quite low compared to other programs of this scale.

**Mr WESTRA van HOLTHE:** That 8% is being administered by the NT government?

**Mr DAVIES:** It will be administered by the NT government and it will be accounted for, and is being accounted for, by the SIHIP program, so we will be able to show what those costs are.

**Ms SCRYMGOUR:** I was just going to follow on from what the member for Port Darwin was saying. John Elferink was talking about the cost of serviced land availability in those communities. Who is picking up that cost? Is that cost coming out of the \$100m from the Northern Territory government, or is that part of the management costs being incurred by the program? Can you answer that or is that housing?

**Mr DAVIES:** In terms of the SIHIP review, the answer there is the \$673m will be spent on building and constructing houses, and the costs which flow from that. In terms of infrastructure, that will be separately accounted for and will be drawn from Northern Territory government and the Australian government, both the national partnership arrangements, and also our normal recurrent expenditure.

**Ms SCRYMGOUR:** From the \$1.7bn under the National Partnership Agreement, what is the percentage ...

**Mr DAVIES:** That will be drawn on?

**Ms SCRYMGOUR:** Yes.

**Mr DAVIES:** It is a 10 year NP, so the answer to is it will be drawn on over the life of the program. There are 16 major housing build communities, and then there are 50 plus communities we are also focusing on in terms of refurbishments. The infrastructure costs are going to be built up over the life of the program.

**Ms SCRYMGOUR:** Would not the Northern Territory government and the Commonwealth government have some idea of what the draw down costs from the \$1.7bn from the National Partnership Agreement will be spent on in servicing the land they need to build those houses on?

**Mr DAVIES:** There is an audit of municipal essential services which is being conducted by the Australian government as part of the NP, jointly with states and Territories. That will give us the bottom line on what the gap is around the infrastructure.

**Ms SCRYMGOUR:** That is all the power and water infrastructure?

**Mr DAVIES:** That is right.

**Ms SCRYMGOUR:** Okay.

**Mr DAVIES:** We will get a read on how much it is going take to build, to bring all of these communities to standard and to service the land which has been released for the public housing model and so on.

**Mr CHAIRMAN:** My question will be in relation to infrastructure. The original program was the SIHIP program of \$673m which included infrastructure. Who calculated the infrastructure costs and why are they so far out we have to get money from another fund, and was that looked at by the review?

**Mr DAVIES:** There are many lessons learned in this, and it goes back to the earlier question about why would you get the Australian government in, working so closely, to help you administer and drive the program? We are learning lessons as we go. If you think the original costings for a house to be built in this program were \$350 000 when the metrics were originally set, certainly there was a view that the infrastructure costs could be met from within the \$670m.

**Mr CHAIRMAN:** Who calculated that? Was it the Northern Territory government or the Commonwealth government?

**Mr DAVIES:** The Northern Territory government calculated the unit cost at \$350 000, based on old fixed price contracts, which varied between \$290 000 and \$560 000.

**Mr CHAIRMAN:** Did the government include the cost of infrastructure, or did they just pretend they could hook into existing infrastructure or ...

**Mr DAVIES:** I do not believe anyone has pretended in this, Mr Chairman. I believe what has happened is the \$350 000 was going to be able to be delivered within the \$673m bucket, and there would have been an assumption made that there would have been enough money left to meet the infrastructure needs. Clearly, that is not the case, and how we are actually going to get a proper fulsome read on that is through the audit which is currently being conducted.

**Mr CHAIRMAN:** In the end, we are not going to build 750 houses for \$670m, because what you are doing is avoiding the real cost which is to put a bitumen road down, water, sewerage, and electricity, except where it already exists, and that is happening at Bathurst Island. In a new subdivision, the cost will be much higher than the figure of \$450 000.

**Mr DAVIES:** In terms of scale, we are talking 750 new houses in the SIHIP program, 230 rebuilds and 2500 refurbishments to a regional standard of amenity. It is adding 3480, or so, houses to the Northern Territory government housing stock which have to be managed. It is a substantial program, and the review found, to meet the target and the commitment, given the infrastructure issues which have emerged, there will not be enough money in the \$673m to meet the infrastructure element of the program, and it will be drawn on jointly from the Australian government national partnership arrangement and the Northern Territory government funds.

**Mr CHAIRMAN:** I am trying to find out who made the original calculation? Where did it come from in the department? Someone had to think that if we are going to build this many houses, there will be other costs associated, and were those other costs ever taken into consideration or were they costed so low that people just forgot about it?

**Mr DAVIES:** The original calculation we looked into was around the end cost of the house, so it was \$350 000. In terms of the costing which was done around the infrastructure, I cannot answer specifically if that was a factor, in terms of the \$350 000 plus infrastructure. There would have been, based on that \$350 000 commitment, an assumption that there would have been enough money in the NP in the SIHIP dollars, to meet the infrastructure upgrade. Once we got out on the ground and found out the scale of the infrastructure gaps, the review has recommended a refocus around that.

**Mr CHAIRMAN:** In reality, the second 'I', which the member for Port Darwin said, really does not exist in this \$670m project. That 'I' will come from another program?

**Mr DAVIES:** The 'I' in this program is one - if you are asking me to answer the question I will comment in this way, Mr Wood – SIHIP is still SIHIP. The infrastructure element of it - we cannot build the houses without having the infrastructure - is going to be costed and funded outside of the \$673m.

**Mr CHAIRMAN:** Member for Arafura. I will come back to it in a minute.

**Ms SCRYMGOUR:** Flowing on from that, and it goes back to my original question. Where is that money? Surely, if I look at, say, Maningrida, Mr Davies, where we know 102 or 120 new houses are going into Maningrida. That is going to require a new subdivision. Where is the costing if you roll out - and we are supposed to be on target, as the leases have been signed for Maningrida? Where is the cost for the infrastructure needed before you start constructing the houses?

**Mr DAVIES:** Again, I will go to my current knowledge of that particular element of the package. Then, if I could please ask you to refer that question to David Richie, the Chief Executive of DLGH, and also to the Program Managers, that is, Andrew Kirkman and Amanda Cattermole.

The original phase of the Maningrida process, Ms Scrymgour, has looked very closely at the infill sites, so there is a lot of housing which is going to be built on current sites that have services already to them. Stage 2, where the additional infrastructure is required and for the new subdivision, that is a question that will have to be directed to David Richie.

**Mr ELFERINK:** Yes, I am just going to drill down this infrastructure budget a little more. You said money had been budgeted upfront. I am concerned about this now. This is why I went down this path originally. So far, we have SIHIP, which suggests in its name it is an infrastructure program. Originally, the infrastructure was going to be captured in the original budgets but, now, it turns out because of a 22% shift or thereabouts in the price of houses, infrastructure money has to come from somewhere else.

You say it is coming through the national payments, but the way our Power and Water Corporation operates - it is a GOC, a Government Owned Corporation which means it either has to get that money from the government, or it has to get its money from somewhere else; namely, from the people who pay their power bills.

The question I have is: is all of the money required by Power and Water going to come from the government to pay for the infrastructure component of SIHIP? Or does Power and Water and its subsidiary business, in relation to Indigenous power, going to have to find some money from other sources as well?

**Mr DAVIES:** Again, my work was in the context of the review. If I can just talk about the Stage 1 packages. The Stage 1 packages have been rolled out on Groote, Nguiu and Tennant Creek had infrastructure built into them. So, the infrastructure is a funded part of the program. It does not mean as the costings are done over time, that element is funded from a different model and the money paid for infrastructure could be redirected back into the housing building program.

All I am saying to you is, in the context of the Stage 1 packages, the infrastructure has been properly costed and funded. In the future costings around the next tranche of builds - that is, at Maningrida, Galiwinku, Wadeye, and Gunbalanya, the infrastructure is going to be funded by Northern Territory government and Australian government jointly as part of the total SIHIP program. In terms of the specifics around the cost and how that is going to be managed, I will just refer you, if I could, to the Chief Executive of the Department of Local Government and Housing.

**Mr CHAIRMAN:** Well, we will have a lot of questions for the Chief Executive this afternoon.

**Ms SCRYMGOUR:** That is going to be an interesting time!

**Mr CHAIRMAN:** Can I just ask - we are getting past our time here. Administration has been an issue, naturally, in relation to how much is being spent. When you look at this figure on Attachment E, it says project management 8% of program – I presume that this is the life of the project - there will be \$53.76m spent on project management. Can I call that administration costs?

**Mr DAVIES:** Yes, you can.

**Mr CHAIRMAN:** All right. Now, so far, according to page 7 of your report, there was \$45.54m spent out of that project management, but with a smaller percentage used in infrastructure, was that correct?

**Mr DAVIES:** Yes.

**Mr CHAIRMAN:** Is that saying that you will guarantee that there will be no more than \$53.76m spent on administration by the end of this project?

**Mr DAVIES:** Over the life of the program, that is the project management costs running at 8%. This recognises, and gives you the specifics of what this money was spent on, is on page 25. Is that where you are at?

**Mr CHAIRMAN:** I was using page 7, but I think page 25 ...

**Mr DAVIES:** On page 25, let us have a look at the break up there. This again comes back to this issue of infrastructure. \$7.6m of that \$45m has been spent on capital costs. These costs have been primarily for upgrading power infrastructure in remote communities to support new housing. \$20m has been the establishment costs for the Alliance partners and costs for scoping the first nine SIHIP packages; and \$17m has been appropriated for program management - \$6.2m in direct costs to the NT government, \$0.3m engagement costs, \$11.4m to external contractor costs.

What we have done, as part of the review, is said that those costs, where they are specifically related to program management, are going to be reduced from 11.4% to 8% over the life of the program. So I just want to reinforce to you, the \$45m is not all specifically about program management.

**Mr CHAIRMAN:** So, it would be fair to say it is \$38m, take out the \$7.6m.

**Mr DAVIES:** That attribution could be fair. I would need to – yes that attribution could be ...

**Mr CHAIRMAN:** So, if they actually spend more than \$15m, or someone asks for the money, for administration more than that \$15m, do you say, that is it? There is no more money in the bucket, or are you just going to add if it is a higher requirement than the \$53m stated here.

**Mr DAVIES:** We are anticipating, this again, the specifics in the review, across the total life of the program, the program management costs will be 8% of the total package, which will come to \$53.7m. In terms of how this is attributed, and how that looks as the life of the program goes through until 2013, that will be for further questions going forward about how each element is travelling, and I think the infrastructure is one side of this, the actual building program is one, and the program management costs are things that will definitely be reportable.

**Mr ELFERINK:** One very last question. How many public servants, both Commonwealth and Territory, were dedicated to the implementation of the SIHIP program prior to the review? How many, both Commonwealth and Territory, are dedicated to the implementation of the SIHIP program now? You may have to take that on notice.

**Mr DAVIES:** I suspect that is one I will have to take on notice. I can say that there are additional Australian government officers who have been added into the program at a very senior level. There are going to be four of those. One of them is the current program director who will be working with Andrew Kirkman, and similarly for the Northern Territory government, just one example, where there is going to be a major building program, once we have access to the Alice Springs town camps, that is 85 houses down there, there will be a Northern Territory government officer allocated to Alice Springs to specifically work with the Alice Springs Transformation team to specifically drive the SIHIP element of that project.

**Mr ELFERINK:** Can we get an answer to that question today, if possible, or as soon as possible?

**Mr DAVIES:** I will commit to the Chief Executive.

**Mr CHAIRMAN:** We are sitting here for two days, anyway.

Just to follow up there, just one thing. Does that mean that the extra four Commonwealth people and the extra one Northern Territory person will come out of project management costs, so therefore that figure will rise?

**Mr DAVIES:** The figure will not rise. There have been substantial reductions in program management costs already made in the program. So, will those additional costs be costed to the program management? The answer is yes, but there have been substantial cost savings already.

**Ms SCRYMGOUR:** With the program management costs, can we get, on top of the information John Elferink has asked for, what the new structure after the review, what that involves with the additional Commonwealth people? Because there is a structure which oversees SIHIP, if we could get a copy of what that structure is on a spreadsheet, and just how it all comes together.

**Mr DAVIES:** Through the Chair, yes.

**Mr CHAIRMAN:** And can I just finish off with a broad question? When you did your review and on page 11 you set out seven key objectives for SIHIP; do you have a role now, as one of the review authors, to continue to oversee whether those seven key objectives are kept to? And, if not, whose role is it to make sure those seven key objectives actually happen?

**Mr DAVIES:** That is now a joint role, and in terms of specific ministers who are responsible in that area, that would be minister Macklin and minister Knight, and their respective Chief Executives. So, in terms of the seven key objectives and ensuring accountability, it is between the Chief Executive of the Department of Local Government and Housing, that is David Ritchie, and the Chief Executive of FaHCSIA, Jeff Harmer.

**Mr CHAIRMAN:** Okay.

**Mr DAVIES:** Can I just make one other comment, please? I have been searching for this and it goes back to Mr Elferink's question about the standard of the houses. The majority of houses built under the program are likely to be three-bedroom houses; however, the mix of housing will differ in each community and will be based on local needs. For example, housing which could include two-bedroom houses, duplexes and some single bedroom dwellings, in some communities some dwellings may be built in a cluster formation to accommodate families in close proximity. Houses built in clusters will be individually tenanted; there will be someone responsible for those houses and, in the future, could be individually owned if families wish to purchase one of these houses.

All design and construction under SIHIP must comply with the Building Code of Australia, Federal Safety Commission Standards and the National Indigenous Housing Guide which has a very, very specific set of requirements. They must be durable and appropriate for local conditions. So, will they have verandahs in places where are appropriate? The answer is yes, and they must be built to last for 30 or 40 years.

There will be some standardisation of housing design and production to contain costs, and these efficiencies will help ensure that SIHIP meets its targets.

**Mr ELFERINK:** Mr Chairman, that then raises one question while we are on this topic. Does that mean there will now be more duplexes and more one-bedroom units than were originally proposed? Or will the number of three-bedroom houses, duplexes and one-bedroom units be the same as originally proposed?

**Mr DAVIES:** The proposal of what is developed will be developed in terms of the local community consultation out there, and working with the locals in terms of the needs for each Indigenous community. There is no change in the number of 750 houses to be built.

**Mr ELFERINK:** That is not the question I am asking; the question is: are we actually going to end up with fewer bedrooms as a result?

**Mr DAVIES:** The unit cost of \$450 000 for a three-bedroom house, the specifics of how many communities have asked for single bedroom dwellings, I have not heard of a request coming in of that nature, yet. Would it be counted as a house? I suspect not.

**Mr ELFERINK:** It would not.

**Mr DAVIES:** If it was a single bedroom dwelling, it might; I do not know whether it would be done in a cluster arrangement. If you could direct that question to the Chief Executive that would be ...

**Ms SCRYMGOUR:** If you had a community which was going to roll out 90 houses, that condition of those 90 houses by three-bedrooms would still have to be met, but my question just quickly, Mr Chair ...

**Mr DAVIES:** There is going to be much accountability in this area.

**Ms SCRYMGOUR:** No doubt there will be. You touched on this with SIHIP, the requirement to fit with the *Planning Act* and the building code, has that increased the cost on the building of those houses in terms of standards. Should I put that to Andrew Kirkman and David Ritchie?

**Mr DAVIES:** Do you mean in terms of making sure the subdivisions fit within the context of the town plan?

**Ms SCRYMGOUR:** If we say in all these towns the building code and the *Planning Act* will apply, has that brought in a different set of accountabilities not there before, and what is that cost? Should I ask the Housing CEO?

**Mr DAVIES:** That would be the best place for that question to go. The \$450 000 will be about making sure each house has an appropriate ...

**Ms SCRYMGOUR:** And meets that requirement.

**Mr DAVIES:** In terms of town plans, our Department of Planning and Infrastructure has a whole team at the moment working on developing a town planning regime for each of these communities. It has to work through those town plans with land councils. That is not something that has been costed with this program. It is a separate commitment under *A Working Future*.

**Ms SCRYMGOUR:** I realise that but there are implications, if you are building a house and you are putting it down - it goes back to the infrastructure and the cost of the infrastructure. Surely that is all part of it.

**Mr DAVIES:** Correct. You could check that with the Chief Executive of DLGH. I think a plan for a house would be part of the \$450 000 cost.

**Mr CHAIRMAN:** I will raise a question again about the style of the housing. It is an important issue; the cost of living in the house. Are these houses being made for low energy consumption so we have a sustainable design suitable for the areas they are being built which will keep the cost of running these houses to minimum and use natural cooling as a way around air-conditioning?

**Mr DAVIES:** The plans for the houses are being comprehensively reviewed and checked by design consultants. Again, that is a question I would like you to direct to Chief Executive DLGH. They are being built to an environmental standard as part of the housing guidelines that are ...

**Mr CHAIRMAN:** It was not in that description you gave, was it?



**Mr DAVIES:** I think under the building code, there is a specific environmental design requirement.

**Mr CHAIRMAN:** As long it is not the five star southern version; we might find there are no windows.

**Mr DAVIES:** We can check that.

**Ms SCRYMGOUR:** That goes beyond ...

**Mr CHAIRMAN:** It is a cost of running the house.

**Ms SCRYMGOUR:** That is true, but if you have a house designed and structured for a family of five and you have 15 people, the sewerage system and other things ...

**Mr CHAIRMAN:** No, I am talking about natural breezes to cool the house down.

**Ms SCRYMGOUR:** You just want the sea gull houses back.

**Mr CHAIRMAN:** Yes, the breezeways are not a bad concept.

Thank you, Mr Davies, for your report today and being willing to answer some very interesting questions. It has also raised many questions which the department will know will be revisited. Thank you very much for coming.

I thank members of the public, and the media. We will resume at 1.00pm.

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**NORTHERN TERRITORY TREASURY**  
**Jennifer Prince, Under Treasurer**

**Mr CHAIRMAN:** I welcome the Under Treasurer, to our first Council of Territory Cooperation.

This hearing is open to the public and is being recorded. A transcript will be produced and will be available to the public. In certain circumstances, we may decide that evidence or part thereof can be taken in camera and remain confidential. Please advise me if you wish any part of your conference to be in camera, but I remind you that this is at the discretion of the committee. You are reminded that evidence given to the committee is protected by parliamentary privilege. For the purposes of the *Hansard* record, I ask that you state your full name and the capacity in which you are appearing today. I also ask that you state your name each time you speak. We will try and keep to that last bit, we will do our best.

**Mr WESTRA van HOLTHE:** We have not so far.

**Mr CHAIRMAN:** Thank you, member for Katherine. I need to ask, if you can state your full name and the capacity in which you are appearing today.

**Ms PRINCE:** My name is Jennifer Prince, and I am the Under Treasurer for the Northern Territory.

**Mr CHAIRMAN:** Thank you. Do you have any opening statement at all in relation to today's hearing?

**Ms PRINCE:** No, Mr Chairman, I have not prepared anything. I thought that the committee would be better served by just asking whatever it is you would like to ask.

**Mr CHAIRMAN:** Could I just ask a general question? We can cover the SIHIP program, Local Government, and *A Working Future*, any questions in relation to that? The member for Port Darwin is just itching to go, oh sorry, I thought you were.

**Mr ELFERINK:** Oh, I have a few questions.

**Mr CHAIRMAN:** All right, well, I might just ask a question in relation to SIHIP, Under Treasurer. Would you be able to explain where the SIHIP funds come from, what program it comes out of, and how it is actually distributed to those people involved in the SIHIP program?

**Ms PRINCE:** Mr Chairman, if you do not mind, I might give you just a little bit of history. I will not go into all the boring details. The Territory has received funding for remote Indigenous housing programs over many years. In about 2005, the Territory and the Commonwealth had started a number of negotiations to try and streamline those funding streams to bring them into one or two large programs, and to make the program delivery more efficient as a result. That had been occurring in 2005 and in 2006, and the Territory signed an overarching agreement on Indigenous matters with the Commonwealth. One of the main areas was streamlining those housing programs. The Commonwealth was obviously attracted to that approach, and my memory is that, in the 2007 Commonwealth Budget, that budget brought together a range of disparate programs for all jurisdictions into one program.

The intention was that the allocation between states would change and be more aligned to a needs-based distribution than it had been in the past. When the intervention was announced later that same year, the funds that had been allocated for Indigenous housing funds in the Commonwealth budget, they had not been allocated between the states at that time, it was just a total amount. That source of funds was used to fund the housing programs that were ultimately negotiated during the time of the intervention, and it was that package of funding that became SIHIP. The SIHIP elements - the total from the Commonwealth was \$572m, over a number of years, I think it was four, and to that amount the Territory contributed \$100m of its own, and that is how you get the \$672m.

**Mr CHAIRMAN:** So, SIHIP really comes out of the intervention?

**Ms PRINCE:** No, it was deemed a new remote Indigenous housing package was being negotiated well before the intervention, and it was a number of existing programs which have been bundled together and some new funds were added. It was not a substantial amount of new funding, but definitely had new funding, and then before the distribution was allocated between the states, so between the Commonwealth budget from when the intervention started, the stream of funding which was already in the Commonwealth budget then became the housing (inaudible) intervention and associated with SIHIP.

**Mr ELFERINK:** Just so I am on the same page, we are talking about the old arrangements; we had NARS pumping money into IHANT and the Territory government - that got bundled together, revamped and then SIHIP ...

**Ms PRINCE:** Subsequently became SIHIP.

**Mr ELFERINK:** ... indirectly as a result of the intervention, for lack of a better way to express it. Okay. Thank you.

**Ms PRINCE:** Then after SIHIP there had been further negotiations, because SIHIP was (inaudible) to have a much longer time horizon program, and that program was called the Related Indigenous Housing Program, and it had something like a 10 year time horizon so, while SIHIP is running, some early elements of the Remote Indigenous Housing Program funding have also commenced, and they are making some ancillary contributions to the funding available through SIHIP.

**Mr CHAIRMAN:** So, basically, we have two housing programs running at the present time?

**Ms PRINCE:** I believe you would call them streams of funding rather than a housing program. So SIHIP is the program that is funding the houses and these other elements of funding are available to fund particular, related services like tenancy management, some elements of infrastructure. The Remote Indigenous Housing Program will continue on after SIHIP, and then take over and be the main funding source.

**Mr CHAIRMAN:** Was it always the intention the Remote Indigenous Housing Program would provide infrastructure funds for SIHIP? Because we have heard this morning there was some money set aside, when you read the review, around \$7 point something million for infrastructure. Was it always the intention the Remote Indigenous Housing Program would provide the infrastructure for the \$672m worth of housing?

**Ms PRINCE:** It will provide some infrastructure funding. The Territory already provides substantial infrastructure funding for its own IES program provided to Power and Water, and that has a number of elements; but a substantial amount, and increasing amount, is allocated to fund new works expanded, capital works for generators, or water systems. So, the infrastructure services associated with SIHIP would be funded either partly from the Remote Indigenous Housing Program, or the Territory's IES funding, and that funding has been increasing quite substantially over the last five years.

**Ms SCRYMGOUR:** So that \$7.6m in the capital costs that was found through the review, that is on top of what is already Power and Water's rolling IES program? Is that right?

**Ms PRINCE:** I am not sure of that particular amount.

**Ms SCRYMGOUR:** When they did the review they were saying the total expenditure on SIHIP is the \$45.5m, included in that \$7.6m which is capital costs and these costs are primarily for the upgrading of power infrastructure in remote communities to support the new housing. So you would have the \$7.6m out of this - I am just assuming this is right - and so that would be added on to the IES program as well? Or is that additional?

**Ms PRINCE:** That \$7.6m was in relation to the 2007-08 and 2008-09 year, yes. But, over the next three years remaining of SIHIP and in future years, the amount will be significantly in excess of that.

**Mr ELFERINK:** We have heard reference this morning to the National Partnership Agreements picking up the infrastructure component of the SIHIP program, the second 'I' in SIHIP as it is becoming known. Are you in a position to break down where that money is going to be expended, how much the Territory is putting in itself, and over what timeframes the money is to be expended?

**Ms PRINCE:** Mr Elferink, when you say 'where', do you mean by location?

**Mr ELFERINK:** By location, but also I would like to determine what the arrangement was prior to the review in August 2009 in relation to SIHIP? What the proposed arrangements were then, what those arrangements are now, how are they different, and as a consequence, what is the cost impost on the Northern Territory which we did not have prior to this review? Are you capable of giving an answer to the question?

**Ms PRINCE:** I do not think I can give you a definitive answer because I do not think there is a definitive number. The work which is progressing is looking at the infrastructure requirements for each of the major communities where there will be SIHIP expenditure. In a number of those communities there will be construction of houses which will not be SIHIP houses. They might be for Territory government employees, it could be health centres, and it could be schools. That infrastructure will require expanded essential services infrastructure in those communities. The people managing the SIHIP program are, with the assistance of the department of planning and infrastructure, looking at the total infrastructure requirements in each of those communities, and making a decision on a community by community basis to what extent there should be additional infrastructure. This might exceed the SIHIP requirements, depending on what the other plans for that community are, and if it is sensible to do essential services construction which exceeds the SIHIP requirements now rather than later, in those instances the Treasury's contribution to that infrastructure will increase because we will be funding infrastructure which is not related to SIHIP.

**Mr ELFERINK:** When SIHIP was originally introduced, the infrastructure element of the title suggests some consideration had been given to the infrastructure which would support these new houses. There must have been some form of forward estimate or cost estimate attached to that?

**Ms PRINCE:** I think what has been happening is as each detailed audit of each of the communities has been done the cost estimates have been built up. I think what was in existence back in 2007 was a preliminary estimate, both of housing costs and infrastructure related costs, and as the detailed analysis has been done that has been built up over time.

**Mr ELFERINK:** Because what we have heard today is that money allocated to SIHIP is for houses, bricks and mortar, roofs, that sort of thing?

**Ms PRINCE:** Yes.

**Mr ELFERINK:** There is now an infrastructure component attached which then has to be funded from another source, which is the National Partnership Agreement. That was not in the original plan, as I understand it, is that correct? That SIHIP would have its own infrastructure component covered by the \$700m odd?

**Ms SCRYMGOUR:** Are we talking about stage 1 or stage 2?

**Ms PRINCE:** Initially, it was thought there would be some funding source separate to the essential services infrastructure, it would not be the only funding source, the Territory would make additional

contributions, as it has done for the last six or seven years through the IES program, and as we continued to negotiate the remote Indigenous housing program.

**Mr CHAIRMAN:** SIHIP is putting many houses in some areas very quickly, which would have been at a much higher rate than the government would normally have estimated. Would it have thrown the budget out to some extent that these new houses were to rely on money from the Territory government to provide the infrastructure? Has the government been hit with something it was not expecting?

**Ms PRINCE:** If you have a look at the increased spending in the IES program, about five years ago it was about \$40m, and now it is more than \$80m, and part of that accelerated program was not only to support the GDH program, but the SIHIP program, additional classrooms in remote areas. I believe what we all recognise is there will be a substantial increase in Territory and Commonwealth spending in remote areas of the Territory associated with all of this expenditure.

**Mr ELFERINK:** Would it be fair to say the Territory, as a result, has incurred greater costs, or exposure to costs into the future, than initially anticipated?

**Ms PRINCE:** Because of the changes?

**Mr ELFERINK:** Yes. Not only because of the changes, but you said originally the program was \$40m, now it is \$80m, clearly it was unexpected to have the extra \$40m incorporated, so it would be fair to say there are now greater costs, cost imposts, attached to the changes than was originally anticipated?

**Ms PRINCE:** It would be fairer to say, with the range of expanded programs in remote areas, across the board, not only SIHIP, we all recognise there will be increased expenditure, not only (inaudible) but in other areas, and that is what has happened. I do not believe you can say that 15% of the increase was associated with SIHIP, and 10% of the GDH, it is really a much greater level of activity, both infrastructure and services, in remote parts of the Northern Territory.

**Mr ELFERINK:** Returning to my question, there is now a greater cost impost than originally anticipated, with all of these programs with infrastructure in remote communities.

**Ms PRINCE:** Because of cost escalations and a whole range of things.

**Mr ELFERINK:** No, that is fine, but there is an increased ... Can you tell me what percentage of that extra cost is covered by the Northern Territory, and how much is being paid by the Commonwealth?

**Ms PRINCE:** I cannot tell you that off the top of my head, but I know the department of Local Government and Housing are doing a very detailed audit, and a plan of what needs to be done over the next five years. The plan will also incorporate decisions the Northern Territory will be asked to make about whether it provides headworks and other essential services infrastructure which exceed the SIHIP requirement because of the future plans for particular communities. That work is currently being done, and when it is available, it will be (inaudible) to the budget process.

**Mr ELFERINK:** When will the first of those costs be incurred, will it be in the current financial year?

**Ms PRINCE:** There will be some costs incurred in this financial year.

**Mr ELFERINK:** Are you able to estimate how much that will be?

**Ms PRINCE:** But, there is again the issue of funding required. As I understand, there are funds already available and have been allocated, there are additional funds that have been ...

**Mr ELFERINK:** What are the sources of those funds?

**Ms PRINCE:** Are you talking about extra Territory government funds?

**Mr ELFERINK:** Yes.

**Ms PRINCE:** It was about an extra budget allocation ...

**Mr ELFERINK:** From what part of the budget was that extra budget allocation made? Was it in the budget process or is it from the Treasurer's advance?

**Ms PRINCE:** There was some additional funding provided towards the end of the past financial year.

**Mr ELFERINK:** Yes, from what source?

**Ms PRINCE:** Was it provided through Treasurer's Advance? I think it was.

**Mr ELFERINK:** Okay, how much?

**Ms PRINCE:** An extra \$20m was provided for Indigenous essential services. That will cover both higher operating costs associated with higher diesel costs, additional repairs and maintenance, and some new capital funding.

**Mr GUNNER:** Just to clarify. The IES is a CSO separate to the Power and Water Corporation budget? Where it sits in the budget itself?

**A Member:** It is separate.

**Mr GUNNER:** Yes, that is right, separate entirely to Power and Water.

**Mr ELFERINK:** No, I understand that. I am just trying to chase the money trail through to where it goes, because this money, then I presume, will be granted from the Northern Territory to Power and Water Corporation - or more to the point its subsidiary which deals with the provision of remote essential services. That is where the money will go down that path?

**Mr GUNNER:** But there is no cross-subsidy.

**Ms PRINCE:** No.

**Mr CHAIRMAN:** We are dealing also with *A Working Future* and Northern Territory growth towns. Has there been money allocated to the growth towns in the form of money that could be used for infrastructure, bearing in mind the towns we are talking about in relation to SIHIP are Nguui - today we have heard at least two – and Galiwinku. You also have Groote Eylandt and Wadeye. They are growth towns. Am I right to expect the government, regardless of SIHIP, will be putting money into infrastructure anyway?

**Ms PRINCE:** Our expectation is, over the next few years, through the project planning process, that is what will be happening.

**Mr CHAIRMAN:** It has not happened yet?

**Ms PRINCE:** No, they are currently going through an assessment of what is required to be done and working through the priorities for what comes first. Is it roads, classrooms, etcetera?

**Mr CHAIRMAN:** You will need a road and a classroom.

**Ms PRINCE:** Very likely.

**Ms SCRYMGOUR:** You would want a road first - a road to somewhere. Will Treasury be able to break down - we have SIHIP and we have heard from Ken Davies this morning on the review that was done. We have \$672m with SIHIP, also, there is an amount under *A Working Future* of \$160m. There are a whole lot of figures. Has Treasury a matrix we can have a look at, or some table which we can have a look at to track these costs across these communities, particularly the three areas? There is all the money under the *Closing The Gap*, and all the money put in by the Northern Territory government with the reforms of the shires. I am trying to get a handle on the cost projections across the board, let alone SIHIP, and working through the matrix of that. Are we able to get, for information purposes, from Treasury so we can follow that a bit better?

**Ms PRINCE:** We do not have the matrix you describe. We have lots of information of that sort, and we could pull something together for you. However, as you would be aware, what we would normally have would be high-level funding streams. We would not, through any of our systems, have expenditure in, say Maningrida. I know that sort of work is currently being done and we will contribute to that.

The Housing and Local Government people will have some information for you on what has been currently approved in relation to SIHIP. As you would be aware, there are a number of funding allocations

that have not been formally signed off and approved for all SIHIP allocations. However, we can certainly attempt to get you something, if everyone was to try. We will put together a range of funding strategies ...

**Mr CHAIRMAN:** Do you want to put that in some sort of question, member for Arafura?

**Ms SCRYMGOUR:** I would.

**Mr CHAIRMAN:** Will you take that on notice?

**Ms PRINCE:** We could suggest ...

**Ms SCRYMGOUR:** Yes, I think Jennifer has ...

**Ms PRINCE:** ... something and see if that is what you would be looking for.

**Ms SCRYMGOUR:** That would be good. It is just that, it is Commonwealth funding, but there is funding that the Northern Territory government is providing, and the Indigenous Essential Services Program is one such program where, we should have thought of that, a lot of this infrastructure is coming out of. It would be good to be able to estimate that cost, as well as the \$7.8m that they had looked at in terms of that review, so that the committee were able to – because there are so many figures that are being thrown around and being put up, just trying to keep a track of some of these costs from NT and Commonwealth.

**Mr CHAIRMAN:** Would you be able to get it? So, we will not necessarily put that on notice, but it will come.

**Ms PRINCE:** We can show that to you to see if that is what you required.

**Ms SCRYMGOUR:** Yes, that would be good.

**Mr ELFERINK:** Just a couple of questions about how the money actually goes through the funnels through the departments. The just less than \$700m amount for SIHIP, where does that actually go? Does it go through the Territory budget; over how many years, that sort of thing?

**Ms PRINCE:** The answer to that is really what happened prior to it, and then what are the arrangements as a result of the changes to the *Financial Management Act* that came about because of the new Commonwealth funding agreements. Prior to the current agreement, where the funding arrangements were changed, funding from the Commonwealth for any specific purpose would go directly to the line agency that was receiving that. So, if it was a funding for a non-government service, or a community health program, then it would go from the relevant Commonwealth agency to the relevant Territory agency, and then be dispersed, either on programs that were run directly by that agency, or to the non-government organisations.

As a result of the current agreement that was signed in late 2008, the new arrangements are that there is one stream of funding that goes from the Commonwealth Treasury to each state or Territory Treasury, and then those funds are dispersed to the relevant line agencies.

**Mr ELFERINK:** Which brings me to my question, it goes through you, and then out to – does SIHIP funding go to exclusively one agency or a raft of agencies or ...?

**Ms PRINCE:** The SIHIP funding goes to the Department of Local Government and Housing.

**Mr ELFERINK:** In its entirety?

**Ms PRINCE:** Yes, and they may well then commission the water corporation to do certain work for them in terms of essential services, so they can then distribute those funds to other agencies if they have a contractual arrangement.

**Mr ELFERINK:** Is there any other funding that comes through that process that will go out to the Department of Local Government and Housing to complement, if you like, the SIHIP program?

**Ms PRINCE:** From the Commonwealth?

**Mr ELFERINK:** Well, yes. You have just suggested that Local Government might want to get some work done by Power and Water for infrastructure support. That then suggests that there is another source of funding, because we have been told here today that SIHIP funding is exclusively for houses. I am just wondering if there is another funding stream as well?

**Ms PRINCE:** The Remote Indigenous Housing Program would go into the Central Holding Authority, it would be appropriated to the Department of Local Government and Housing, and then that department may well spend that money directly themselves on their own programs. They might commission consultants, building firms, alliance partners to do that work, or they might make a payment to the Power and Water Corporation. Or they were asking the Department of Planning and Infrastructure to do something on their behalf, so they would pay money to them. It is entirely up to the nature of the program.

**Mr CHAIRMAN:** What percentage does the department take off in relation to SIHIP?

**Ms PRINCE:** In terms of the funding that comes into the Central Holding Authority, and then is appropriated out to an agency, the full amount is appropriated. There might be some negotiations in terms of timing, so the Department of Local Government and Housing may well say to us: 'We have received that lump sum from the Commonwealth and we will spend that over the next two or three years and here is our cash flow', and so the appropriations will be lined up with that cash flow, or it would be paid directly; it depends entirely on the advice of the agency.

In terms of what the Department of Local Government and Housing do, I believe the SIHIP report itself covered off on that issue, but it is not that it retains funds; it is the cost that it incurs in delivering this program.

**Mr ELFERINK:** So the payment for the public employees who manage SIHIP will actually come out of SIHIP funds?

**Ms PRINCE:** It depends entirely on the provisions of the agreement with the Commonwealth, because we are talking about ...

**Mr ELFERINK:** Well, are you aware of the provisions of the agreement with the Commonwealth?

**Ms PRINCE:** I am not specifically talking about SIHIP, but we have almost 200 separate funding agreements with the Commonwealth that each have their own performance indicators, requirements about what can be spent, what cannot be spent or what performance indicators are required, what matching funds are required.

**Mr ELFERINK:** Talking specifically then about SIHIP, what are the arrangements in place in relation to those costs being incurred by the ...

**Ms PRINCE:** I do not have the SIHIP the agreement in front of me.

**Mr ELFERINK:** Can we have that as a question on notice, please?

**Ms PRINCE:** I do not believe it is a question for me, Mr Elferink; I believe it is a question for Local Government and Housing; they are responsible for the program.

**Mr ELFERINK:** Who signs off on the agreements, in that case, between Local Government and Housing and the federal government? Does it go through Treasury?

**Ms PRINCE:** It depends, again, on the nature of the agreement and when it was signed ...

**Mr ELFERINK:** Well, specifically this agreement?

**Ms PRINCE:** ... but it can be the relevant functional ministers, it might be countersigned by ...

**Mr ELFERINK:** Specifically this agreement?

**Ms PRINCE:** I do not know who signed the SIHIP agreement.

**Mr CHAIRMAN:** You can put that to the CEO this afternoon and find out what it is. Any other questions?

Can I just ask a question while John is thinking? In relation to payments, do you keep an eye on the payments as they are going out from the department? For instance, there has been much discussion about administration costs, and about the money going out to alliances, do you keep a tab on that?

**Ms PRINCE:** We are interest in the cash flow, so when the payments are to be made the departments will advise us what they expect to spend and we know (inaudible) to spend it and they will revise that - this is for all programs - a couple of times through the year, but we do not specifically involve ourselves in who they make the payments to, or the form of the payments.

**Mr CHAIRMAN:** I was going to ask about Local Government funding, if that is all right; because we might not have you back again for a while and we are going to cover these issues.

**Mr ELFERINK:** Just a couple of quick questions. Over how many years does this SIHIP funding come through?

**Ms PRINCE:** Has it come through, or will it be spent?

**Mr ELFERINK:** Over how many years is the SIHIP program going to operate?

**Ms PRINCE:** The most recent information I have is it will be over five years from 2008-09 to 2012-13.

**Mr ELFERINK:** About \$120m a year, is that correct, or does it ramp up and down?

**Ms PRINCE:** It is not evenly spread, the highest amount is probably in 2010-11, and the Remote Indigenous Housing program has been in place since 2008-09, but it will ramp up and replace the SIHIP program.

**Mr ELFERINK:** I see that you are referring to a piece of paper in front of you. Are you able to table that piece of paper?

**Ms PRINCE:** I would not like to Mr Elferink, because this is about six months old and I think the committee would be better placed if we were able to update this.

**Mr ELFERINK:** Could you table the equivalent of the updated version?

**Ms SCRYMGOUR:** I think some of the information I was asking the under-treasurer to provide was looking not just at SIHIP but also local government and *A Working Future*. If we had that on one spreadsheet then we would be able to get something that is not six months old.

**Mr ELFERINK:** I am not much worried about the format it comes in, but I would be happy to see some sort of tabled document we can then refer to.

**Mr CHAIRMAN:** I do not know if we have a question on notice. Do we need a question on notice?

**Mr ELFERINK:** Yes, I will just put it on notice. If we could get a document which covers expenditure over the SIHIP program, and other relevant areas of the agreement between the Commonwealth and the Northern Territory, relating to the expenditure of money over that period? I think you know what I am after?

**Ms PRINCE:** Sure.

**Mr ELFERINK:** Thank you.

**Ms SCRYMGOUR:** I wanted to go, through the chair, one step further than that, not only with SIHIP but Indigenous expenditure across the board; across of all of those different rolling programs we were just talking about.

**Mr CHAIRMAN:** So we will expand that.

**Mr ELFERINK:** Yes, that is fine. I have one other quick question, if I may.

Ms Prince, you just informed us the Territory budget has taken a \$20m hit it did not expect through having to take money from the Treasurer's Advance. Is there any other non-budgeted expenditure



associated with delivery of services into remote communities which did not appear in the 2009-10 Budget? Anticipated or current decisions have been made?

**Ms PRINCE:** I think I need to take that on notice to give you a comprehensive answer.

**Mr CHAIRMAN:** Could you repeat that question, please?

**Mr ELFERINK:** In light of the fact we have already heard today there was a \$20m off-budget spend, are there any other associated non-budgeted for expenses, either anticipated or decisions already made, in the current financial year, and if so what are they, and how much?

**Mr CHAIRMAN:** In relation to?

**Mr ELFERINK:** In relation to the delivery of services into remote communities. That includes housing and services in remote communities.

**Mr CHAIRMAN:** That might include the entire budget, there. Okay, under-treasurer?

**Ms SCRYMGOUR:** Through the chair, member for Port Darwin, are you thinking of like land tenure costs and things like that?

**Mr ELFERINK:** Yes, whatever incurs a cost to the Northern Territory government which has not been budgeted for service delivery to remote communities including land tenure, education, health, policing, that sort of thing.

**Mr CHAIRMAN:** Thank you, Under Treasurer. I would just like to mention local government funding. What role do you play in local government funding? I know it goes through the grants commission, but does Treasury have a role in that particular body, or is it separate?

**Ms PRINCE:** We do not have any role in the local government grants commission process.

**Mr CHAIRMAN:** In relation to the super shires, is there any money the government is putting into local government directly apart from grants money?

**Ms PRINCE:** When the shire initiative was being worked through, the Territory did provide some one-off funding. It was either \$10m or \$11m over two years by way of start up or establishment funding. One of the expenses was the financial accounting package, but there were a range of other things funded. There is no other ongoing funding stream I am aware of. The funding arrangements are, again, an amalgamation and a requirement of the existing funding streams which have been in place for some years.

**Mr CHAIRMAN:** Have you done an audit on the IT program which seems to have caused a few problems, with Barkly, for instance, pulling out of the arrangement?

**Ms SCRYMGOUR:** That could be a question for the CEO of Local Government.

**Mr CHAIRMAN:** I thought you might like to know where your money has gone. So are there other programs which you have funded to local government besides the IT?

**Ms PRINCE:** There are a range of ongoing programs, as you know. The local government financial assistance grants, the Territory's ongoing grant program, which you are probably aware the Territory is the only jurisdiction to provide recurrent funding.

**Mr CHAIRMAN:** Operational grants?

**Ms PRINCE:** Yes. There is nothing additional, to any of the funding programs that you would be aware of.

**Mr CHAIRMAN:** Is it possible again to get a matrix, say two years previous to two years where you think you might be going, because operational funding is obviously an issue that many local governments are interested in, especially as some are losing their grants money. Tiwi is likely to lose a fair amount and so is Coomalie. Can I put that on notice, to ask that Treasury give us a matrix of what funding it gives to local government, showing the spending over the previous two years and, if possible, in to the future, over the next two years?

**Ms PRINCE:** With your agreement, we will prepare that with the Department of Local Government and Housing, it would have some information that we would not have.

**Mr CHAIRMAN:** Any questions?

**Ms SCRYMGOUR:** Probably many, but I might keep them for the CEO of Local government, Mr Chair.

**Mr CHAIRMAN:** The other thing is that local government has taken over agencies. Some of those agencies are Territory government agencies. Is aged care a Commonwealth or a Territory government program?

**Ms PRINCE:** It depends on what elements of the services you are talking about. If it is a program that is funded from something like Home and Community Care, then it could be Commonwealth or a Northern Territory ...

**Ms SCRYMGOUR:** A combination of Territory.

**Ms PRINCE:** It is never simple.

**Mr CHAIRMAN:** We need to investigate more with individual councils perhaps. My understanding is they would take up some agencies on behalf of the Commonwealth or Territory governments.

**Ms PRINCE:** I am not quite sure what you mean. The Territory government agencies have arrangements in place with shires and with community government councils for them to deliver a range of programs and the HACC programs or Meals on Wheels would fall into that category, but shires and councils also perform some functions on behalf of, generally, Commonwealth government agencies, so Centrelink type programs, for which they have received, in the past, further compensation. It is not quite a contractual arrangement that it is has with Territory agencies. Are they the sorts of things that you ...

**Mr CHAIRMAN:** Yes. Because the issue that worries me is how much local governments have taken on and whether they are getting sufficient funding to run those programs without a loss to the core functions they are supposed to be doing.

**Ms PRINCE:** My understanding is that one of the objectives in setting up the shires, was they would not do that to the same extent. My sense is the Department of Local Government and Housing would have more information on that particular issue than Treasury, and maybe ...

**Mr CHAIRMAN:** *A Working Future* then, I suppose is another important area for us and also homelands and outstations, and I will work backwards. Does the Territory government fund outstations directly?

**Ms PRINCE:** Again, nothing is ever simple in this world. The Territory does fund some services on some outstations directly. Some of the work which Power and Water does through its IES program does go to some outstations. The Territory has received responsibility from the Commonwealth along with the \$20m a year to continue to provide some services to outstations. We are currently doing an audit of what is received from those funds and what needs to be done, in part, to go back to the Commonwealth with a better estimate of what it really costs to provide services in these locations.

**Mr CHAIRMAN:** Are you doing an audit - that is the communities list which is 1022 communities, some big, most of them small. Is your audit taking every one of those outstations into account?

**Ms PRINCE:** It is not my audit.

**Mr CHAIRMAN:** Whose audit then, is it?

**Ms PRINCE:** I think the Department of the Chief Minister is coordinating all the work in that regard, with a number of other agencies, and we will be providing some advice and assistance, but we are not responsible and we are not providing it.

**Mr CHAIRMAN:** We need to ask the Department of the Chief Minister. Is housing funded by the Commonwealth for outstations, or was?

**Ms SCRYMGOUR:** None.

**Mr CHAIRMAN:** Or did it come out of the Territory government funds? I know she gone. I just need to get it clear, because this is an issue which is, of course, part of *A Working Future* policy.

**Ms PRINCE:** If you go back into the past when the old funding arrangements were in place, it is possible some of those funds may have been used to construct houses on outstations. However, the Territory government was not involved in those decisions. The new funding arrangements are being done on a community-by-community basis.

**Mr CHAIRMAN:** So, if I was to look at the 1022 communities there, and say I took out 60 large ones, the rest would be relatively small outstations. I have been out to see some - some are lived in and some are abandoned. Who initially funded all those houses?

**Ms PRINCE:** It would be the Commonwealth through ATSIC.

**Mr CHAIRMAN:** Right. And, now, who do they belong to?

**Mr Elferink:** Wherever they stand; they are on somebody's property.

**Mr CHAIRMAN:** So, there is no ownership like NT housing?

**Ms PRINCE:** Mostly on Aboriginal land.

**Mr CHAIRMAN:** Well, that is interesting.

**Ms SCRYMGOUR:** So, as part of the transfer, member for Nelson.

**Mr CHAIRMAN:** That is all right. I am not asking the question trying to be mischievous, because ...

**Ms SCRYMGOUR:** No, but it is true. I need to get a better understanding of the background of all those communities out there. I have a concern some of them are abandoned now and have been abandoned for quite a while. I know we have a shortage of houses, and I see this imbalance as an area where nobody lives in them, and we have overcrowding.

**Ms PRINCE:** So, no, at self-government the agreement was the Territory would take responsibility for the funding of major communities. There is a bit of debate about how many of those there are - is it 55, is it 60? But it is in that order, and the Commonwealth would retain responsibility for funding the rest. That has, essentially, been in place until 2007.

**Mr ELFERINK:** We still carry a residual debt from that period too, do we not? From 1978? We copped a housing debt in remote communities.

**Ms PRINCE:** For public housing. No, not in remote communities, largely in urban centres for electricity, water and sewerage infrastructure ...

**Mr ELFERINK:** And that still has not been paid off, has it?

**Ms PRINCE:** ... and for public housing. The reason the debt still exists is it is at extraordinarily low interest rate over a very long period of time. In choosing to repay debt, you would not choose to repay that.

**Ms SCRYMGOUR:** Under Treasurer, in the 2007 MOU - if I can follow on from what the Chairman was just asking with outstations - what additional Northern Territory government money, from what portfolio or program source, is coming? Under the 2007 MOU, the Commonwealth government transferred responsibility for homelands to the Northern Territory government. \$36m is what was given to the Northern Territory government as part of that expenditure. What additional Northern Territory government money and what portfolio, if you look at *A Working Future* and homelands, as part of that concept, where else is this program funding coming from? Do you know?

**Ms PRINCE:** The basis of that agreement was that the responsibility would transfer from the Commonwealth to the Territory. The Commonwealth would transfer the funding that it was currently incurring; the Territory would continue with that funding, undertaking, and we would use that as a sort of negotiation from the (inaudible).

**Mr CHAIRMAN:** Is that audit just for the services, or for the buildings in an outstation?

**Ms PRINCE:** I think the Commonwealth may have a different view to the view of the Territory as to what should constitute that audit. You might ask what standard should it be at? (inaudible) it is quite different to what they have been spending, what they have transferred.

**Mr CHAIRMAN:** In relation to the growth towns in general, now, the government has got, and we need to talk a little more this afternoon with Mike Burgess to give us a run down on how that is all going to work, is there already a budget strategy for these growth towns, or is that still a work in progress?

**Ms PRINCE:** It is really a work in progress. We are pulling together, currently, what is being spent, and there is work being done to develop plans for one of those locations, and then there will be a strategy for each location.

**Ms SCRYMGOUR:** Through the Chair, with the growth towns, Under Treasurer, that was \$160m that was earmarked for, was that for the growth towns under *A Working Future*, was that the \$160m or ...?

**Ms PRINCE:** I am not sure about that \$160m.

**Ms SCRYMGOUR:** Can we get that, because I know that at the time the media release was saying around \$160m over five years for the growth towns, well, it was going to be earmarked for the growth towns because that was all part of *A Working Future*.

**Mr CHAIRMAN:** We could ask Mike Burgess this afternoon, if you like, he will have some more detail, I am sure.

**Ms SCRYMGOUR:** Well, one would have hoped that the Treasury would have had the ...

**Mr CHAIRMAN:** Well, we could ask the Under Treasurer if we could have that on notice, if you like. We could also wait.

**Ms PRINCE:** The \$160m ...

**Ms SCRYMGOUR:** Which was over the five years for the growth towns.

**Ms PRINCE:** I am just reminded that it is the Remote Service Delivery National Partnership Agreement.

**Ms SCRYMGOUR:** Which is why it was really important to have all of this on a spreadsheet so that we can try to find ...

**Mr CHAIRMAN:** That is from the Remote Indigenous Housing Program. No wonder we need a matrix.

**Ms SCRYMGOUR:** That is separate from SIHIP and separate from the \$36m, ...

**Mr CHAIRMAN:** No wonder we have a public service.

**Ms SCRYMGOUR:** ... which is why I am saying if we could get that on a spreadsheet, because no wonder everyone is confused.

**Mr CHAIRMAN:** Can I ask you another general question about growth towns? Was the Treasury involved in the decisions about which towns would be the growth towns, did you have input into that?

**Ms PRINCE:** There was a process of identifying which locations, and we and a number of agencies could make contributions about that. I do not know if I can take it any further than that, I do not think we are involved in a debate about ...

**Mr CHAIRMAN:** Yes. Could I just ask, and I will be asking Mike Burgess later, and it is something that I have raised before, that there are two areas on this map, outside of the Territory, which are areas which many people go to, one is Kununurra and the other is Mount Isa. Are there constitutional reasons why we could not call those growth towns and put input into those? Simply because, the idea of a growth town is to enable, especially Indigenous people, to access boarding schools, access health, access jobs. The federal government has just put \$195m into Kununurra to upgrade the schools, the hospital and those sorts of things. Is it too difficult that, from a Treasury point of view, to put money into those places because they are outside of the Territory?

**Ms PRINCE:** If we wanted to do such a thing, we would have an agreement with the relevant state government about what services we would either buy or contribute to. Western Australia buys some hospital beds from the Northern Territory because Darwin is a main service centre and we find north Western Australia will often source their services from the Territory rather than from Perth. So there have been examples where they can negotiate with us about what we will guarantee to provide their citizens. We could do such a thing, if we thought that was worthwhile, so we would not (inaudible) but if we thought it was sensible we might buy in to (inaudible) if that is the best thing to do.

**Mr CHAIRMAN:** I am coming from the point of view that Alpururulam go and play footy in Mt Isa, they shop in Mt Isa, and they relate to the people over the border area; it is the same with people from Timber Creek west, they go to the show there, they go shopping there and yet our growth town will be Nagaragu or Wadeye, and I do not believe they want to go there particularly; it is not the bright lights. I will ask Mike Burgess about that later.

**Ms PRINCE:** We have agreements in place with South Australia and Western Australia about police services and justice services in the Pit Lands, and that makes ...

**Mr CHAIRMAN:** So it is not an impossibility?

**Ms PRINCE:** No, if there is a sensible projective.

**Ms SCRYMGOUR:** Just on *A Working Future* and the \$160m. Under-Treasurer, are you able to provide us with information of the \$300m *Closing the Gap* money. How much will be spent in the 2009-10 financial year in the *A Working Future* growth towns?

**Ms PRINCE:** We can certainly provide you the information by program.

**Ms SCRYMGOUR:** Is there any?

**Ms PRINCE:** I do not know. We would not have the information by allocation.

**Ms SCRYMGOUR:** So you would need to get that from the agency?

**Ms PRINCE:** Yes. We would be able to tell you that under each of the relevant programs what has been allocated, but we would need to get information from the agencies about where they really placed that funding.

**Ms SCRYMGOUR:** So in terms of *Closing the Gap*, which agency would have the lead to make sure the government's \$300m for *Closing the Gap*, the \$160m for *A Working Future* and those communities those programs are supposed to be rolled out in, which department is the lead agency to make sure this money is actually happening and those programs and the work is actually happening in those growth towns which are part of *A Working Future*?

**Ms PRINCE:** Indigenous Policy in the Department of the Chief Minister does have various coordinating mechanisms ...

**Ms SCRYMGOUR:** Indigenous Policy did you say?

**Ms PRINCE:** Yes. They have established the Service and Coordination Unit to do precisely that, and that unit is established under this service delivery (inaudible). We had our own unit, but they were also in partnership with the Commonwealth in terms of the joint programs that are in operation.

**Mr ELFERINK:** Just a couple of quick ones on the SIHIP review which was handed to government on 28 August this year. Does Treasury in any way cast a subjective ruler, for lack of a better expression, over planning and other departments, i.e. is it possible when a department is doing something like the Strategic Indigenous Housing and Infrastructure Program and they say it is going to cost so much, do you in any way question those costings, or do you accept the department has done the homework and accept what they say?

**Ms PRINCE:** When budget proposals or funding proposals come forward, we review the information as best we can. If it is infrastructure program it can be reviewed by others. Sometimes it is very difficult to get accurate costings, particularly for remote infrastructure.

**Mr ELFERINK:** Did you do any such review in relation to SIHIP?

**Ms PRINCE:** I think the SIHIP program, because it is largely funded from the Commonwealth, it ...

**Mr ELFERINK:** But prior to August, managed by the Northern Territory?

**Ms PRINCE:** The funding allocation was \$572m from the Commonwealth and \$100m from the Territory to be spent over five years. The issue then was what would actually be gained from that expenditure, what would we get from that expenditure as opposed to something built from the bottom up.

**Mr ELFERINK:** Which brings me back to my question: did Treasury simply accept the figures the department came up with, or did you independently have those figures reviewed, either internally or externally?

**Ms PRINCE:** Perhaps I was not clear. The SIHIP program was not a funding bid from an agency which we were reviewing and recommending. The SIHIP program was a funding agreement with the Commonwealth ...

**Mr ELFERINK:** Yes, but in terms of how that money is managed ...

**Ms PRINCE:** ... to achieve certain outcomes.

**Mr ELFERINK:** The department, prior to the review, was essentially the organ by which this money was going to be managed, as I understand it. Through amendments to the *Financial Management Act*, it comes through your department and then is sent to the department. The department itself manages it. We know it is just that department which manages those funds. Does Treasury in any way question or look at the assumptions used by the department to determine whether or not it is an accurate assessment of what is going to occur, or do you leave that up to the department?

**Ms PRINCE:** That particular program has a management structure in place which had been agreed with the Commonwealth, and it had Commonwealth representatives as well as representatives of the Department of Local Government and Housing. Treasury was not part of that management structure and the accountability was from the Department of Local Government and Housing and the Commonwealth.

**Mr ELFERINK:** Treasury's role was restricted to being the conduit for the money as it went to the department, and then the department made its determinations. Does Treasury review, at any stage, how something is going in a department, especially a large spend, for which we are answerable to an external body, namely the Commonwealth? Does Treasury go into the departments to see if there are any problems or do they just accept the department's initial proposal is being applied?

**Ms PRINCE:** Obviously a different approach may be taken with different programs, but our objective is to have a constructive and robust arrangement and relationship with agencies, and we do that across the board.

**Mr ELFERINK:** In relation to SIHIP specifically, did that occur?

**Ms PRINCE:** In relation to SIHIP we had regular discussions about the expenditure profile that was intended, how it was changed.

**Mr ELFERINK:** When did Treasury become aware there were problems with the way SIHIP was being implemented?

**Ms PRINCE:** I do not think that is a question I can answer with any reasonable accuracy. That is not part of our role.

**Mr ELFERINK:** Well, I understand from your last answer there was a robust discussion with the department as to how this money is being expended. We know there was a problem because there has been a review, which has seen the Commonwealth come in and take over a large slice, if not the lion's share, of responsibility for the operation of SIHIP. I am curious to know at what point did Treasury start to become aware there were going to be problems with this SIHIP funding in the department, and how the program was being rolled out.

**Ms PRINCE:** The robust discussions were in relation to expenditure and how it compared with the estimates, how negotiations were proceeding with the leases, whether the funds were being spent, and whether the alliance partners were in place. I do not know that we were identifying the problems, as such. We understood, and had always understood, that it was a very complex program, and a new way of doing things, and we understood the difficulties that the department would face (inaudible).

**Mr ELFERINK:** The complications this program has undergone, the challenges it has faced, in that case, essentially, beyond what you got from your robust discussions, the first the Treasury learned of them, was basically when they appeared in *The Australian* and the *NT News*. Would that be a fair assumption?

**Ms SCRYMGOUR:** I do not think that is an answer that the Under Treasurer should have to answer, Chair.

**Mr CHAIRMAN:** Something like that might - I believe it is an answer that is subjective.

**Mr ELFERINK:** It is, and I do not think she should be answering that.

**Mr CHAIRMAN:** Unless the Under Treasurer had a diary, which said, had concerns and can compare it with the *NT News* time, I think it would be difficult.

**Mr ELFERINK:** Perhaps I can describe ...

**Ms SCRYMGOUR:** And whether what was in *the Australian* was accurate.

**Mr ELFERINK:** ... what I am after. I am trying to determine the checks and balances which are in place.

**Ms SCRYMGOUR:** That is fine.

**Mr ELFERINK:** We were briefed this morning that there was a review in relation to SIHIP, which has fundamentally changed the way SIHIP was being applied, because of problems with the way the Territory was managing it. I am trying to determine at what point did we start to become aware that there particular problems with this program. I have endeavoured to get that sort of information from the Department of the Chief Minister this morning, and it is a little fuzzy. I am wondering if Treasury has done a similar review, and that is why I am asking those questions.

**Mr CHAIRMAN:** The question is fair, but I believe the Under Treasurer has answered as well as you could expect. She said, basically, Treasury is looking at it from the point of view of whether the program is running on time, if the money is spent correctly through the alliances, etc. But she does not see it as her role to see whether the accuracy of how much money was set aside for housing was its role. That is the Under Treasurer's answer. We have another department coming up, which may have the answer. But I believe we need to pull it up there. We are 10 minutes over, which is fine, we are not working to Estimates Committee Standing Orders.

I thank Ms Jennifer Prince, the Under Treasurer, for her cooperation in coming today. Sorry about the new building at the university. We are trying to deal with some very important issues and we appreciate you coming today. Thank you very much.

We will have five minute break, so the next group can get together and we can have a breather for a few moments.

Thank you.

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**DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING**  
**Dr David Ritchie - Chief Executive**  
**Mr Andrew Kirkman - Executive Director**  
**Mr David Alexander, Director of Business Strategy and Performance**

**Mr CHAIRMAN:** I will read the Chairman's statement. I would like to welcome Dr David Ritchie, who is the Chief Executive of the Department of Local Government and Housing, and Mr Andrew Kirkman, who is the Executive Director of the Department of Local Government and Housing. This hearing is open to the public and is being recorded. A transcript will be produced and will be available to the public. In certain circumstances, the committee may decide that evidence, or part thereof, can be taken in camera and remain confidential. Please advise me if you wish any part of your evidence to be in camera, but I remind you, that this is at the discretion of the committee. You are reminded that evidence given to the committee is protected by parliamentary privilege. For the purposes of the *Hansard* record, I ask that you state your full name and the capacity in which you are appearing today. I also ask that you state your name each time you speak. If you would like to give your names and the capacity in which you speak please.

**Dr RITCHIE:** David Ritchie, Chief Executive, Department of Local Government and Housing.

**Mr KIRKMAN:** Andrew Kirkman, Executive Director, Commonwealth SIHIP, Department of Local Government and Housing.

**Mr CHAIRMAN:** David, do you have an opening statement or anything?

**Dr RITCHIE:** Perhaps just with contextualising some of the discussion that has taken place today, and what is to come this afternoon, this program was taken on by my department. It was being designed to solve a problem that has been building in the Northern Territory since the World War II, and I am talking about the between 2.5% and 3% increase in the population for remote Indigenous communities that has taken place pretty well every year since 1958. From 1954, the first government reports were written about the lack of housing in remote communities. The then Department of Transport and Works produced a report in 1953, indicating the need, but they were all really behind the eight ball when it came to a solution. It was revisited again in 1958, detailed plans for the types of housing were prepared, but each time the resources were allocated the growth in population defeated attempts to stay on top of the problem. By the end of the 60s, early 70s, the newly created Department of Aboriginal Affairs did some surveys and they found the need was something like one of the highest ratios of people to houses in the nation, and over the period of the Department of Aboriginal Affairs under the Whitlam government, there were successive reports. Each time they went back to the problem revising up the gap as more information became available.

Taking us to the end of 2007, what had been recognised as a result of the considerable work which had been done over the preceding couple of generations, and since self-government, was there was no way this problem would ever be resolved by doing things the way they had been done before. The approach by minister Brough, Prime Minister Howard and Chief Minister Martin was to do a radical re-think of the way the delivery of housing in remote communities took place; and some of the principles of that have already been discussed and you will be familiar with them.

One of those things was that collective governments had to take responsibility for providing social housing in major communities, that is remote communities. We already provided social housing - housing for people on lower incomes in the major towns - but we had never provided housing for people on low incomes in remote communities before. Apparently it had actually been proposed in the 60s, but dismissed because of the high costs involved. To do that a couple of elements had to take place; one of them was the whole issue of land tenure had to be resolved, which means for most of the Northern Territory there had to be leases negotiated with the traditional owners of the land - so most of the major communities where housing was needed to be provided was held in communal freehold title by the Aboriginal traditional owners. The first thing was, leases had to be negotiated, and the reason for that was twofold. One, the owner of the house would be the public, the Crown, and the Crown would have an ongoing responsibility to maintain those houses for the future. The second thing is, to establish any capability for the residents of remote communities to actually ever aspire to purchasing property, there would need to be a form of negotiable title, and that is readily achieved by creating the leasehold system we are now rolling out.

The idea of putting such a huge investment into remote communities was also the central plank of revitalising regional economies because, first, the infrastructure effort involved in the actual construction was an opportunity for training and employment but, perhaps even more importantly, the ongoing maintenance of those houses and the ongoing provision of tenancy management that was required - all the



things that are provided for rental accommodation in the city - is also an industry that we could have every anticipation of being a major employer in many of our communities. So the other component was that any big government spend, such as SIHIP, a major proportion was to maximise the involvement of local Indigenous people in the program. The third thing was a great deal of work has been done on the reasons why past programs have been unsuccessful.

One of the reasons is fairly obvious, they have not done on a sufficient scale, but that is not the only reason. One of the most critical reasons is the design of the buildings was not appropriate for the circumstances in which they were going to be used. There are two aspects of design.

Firstly, there is the robustness of the fabric, whether the building will withstand the reality that, for any time soon, there will still be overcrowding problems in remote communities so the building will be expected to house more people than they would in a typical house in Darwin or in Alice Springs. Secondly, we are a long way from repairs and maintenance systems. If anything major fails, it takes a long time to get somebody out there, so the costs of things breaking are much higher and when things do fail, there is often a lag between the time they fail and when they are fixed. This often leads to compounding problems. There is a definitely a need for a robust fabric. Much work has been done on that nationally, and you have heard of the National Indigenous Housing Design guidelines. They have been developed as a result of work done by Paul Pholeros and the Fixing Housing for Better Health Program, which I know some of you are very familiar with.

The other aspect of design is the buildings, to work and become the centre pieces for a viable sustainable community, have to be dwellings which work for people in the community. It is important the buildings are designed firstly for the climate, secondly for the way people live in the community. There are quite strong differences between the social organisation in the north east Arnhem Land and in the Central Desert, and that has to be accommodated.

Much work has been done on that, and the expectation of this program was that work would be incorporated in the basic concept. It was also part of the design of the program that people in communities would be involved in the design of the buildings, and in the whole effort, the construction, the rollout of infrastructure, layout of buildings and the refurbishment of the existing dwellings.

All those elements were quite new to a government program and it was recognised it would not happen overnight. As you heard this morning, the program was announced in April last year. Firstly we had to procure the alliance partners, which had a time line. We had to get the procurement process finalised by October last year. We had to have the alliances started up as three functioning consortium by the end of last year. We had to negotiate leases with the two communities where leases had not been negotiated for the first works package, that is Tennant Creek and Groote Eylandt, and we had to get those alliances out in to those communities talking to people and actually scoping the works. At that point an assessment of existing dwellings is done, the assessment of the existing infrastructure is done, and a package of works to fit the price envelope predetermined for each of those communities had to come back to be assessed by both governments, and then approved for work to start at the beginning of this Dry Season.

As you have heard in evidence earlier, and from the review, the ambitious target of getting all that done throughout the Wet blew out by a few months. It meant we did not get the work packages scoped and finally approved until the end of April early May. That is where the slippage has been, and it is for that reason. Getting stuff done in the Wet Season, especially complex stuff done, involves community involvement and people understanding the questions they are being asked and fully involved in the process.

We find ourselves coming towards the end of this season, and we are carrying the three month slippage. We have 15 houses under way, 42 refurbishments well underway, and 19 refurbishments completed. We are confident, over the five year life of this program, we will hit the target number of houses, the 750 new houses, the 230 rebuilds and the 2500 refurbishments at the end of the program, as originally anticipated.

**Mr CHAIRMAN:** I will ask Andrew this. Do you want to say anything – what your role is in relation to SIHIP?

**Mr KIRKMAN:** I am the Executive Director for SIHIP for the Northern Territory government. My role is, jointly with the Australian government Executive Director, to manage the program, both the SIHIP side of the construction program for housing, the remote property and tenancy management framework, and the land tenure for the Northern Territory government housing leases.

**Mr CHAIRMAN:** Okay. John, I am sure you have some questions.

**Mr ELFERINK:** Just a couple of questions to start off with. We might be a little over the place, if you will forgive me, but these are the questions I asked of Mr Davies this morning and was advised you would be in a position to answer.

Question 1, the big one is: how many houses from greenfield site to completion, to where people are now moving into them, have been completed under the SIHIP program to date?

**Dr RITCHIE:** As I was saying, we have started 15 new houses and they are well under way, there are 42 refurbishments under way, and 19 refurbishments completed.

**Mr ELFERINK:** I am sorry, you say 15, is that correct?

**Dr RITCHIE:** 15 houses.

**Mr ELFERINK:** As in one-five?

**Dr RITCHIE:** Yes.

**Mr ELFERINK:** Are these the houses referred to by Dr Harmer in the Senate?

**Dr RITCHIE:** Just to make sure, 15 houses have been started, they are under way, not completed.

**Mr ELFERINK:** Yes, Dr Harmer refers to it and whilst I cannot quite lay my hands on it, he talks about 50, five-zero, houses to be completed by September this year – sorry by December this year.

**Dr RITCHIE:** Harmer was saying with what was under way, it amounts to 55 by the end of the year, yes.

**Mr ELFERINK:** Okay, so 55 by the end of the year. The answer to my question is, basically, still none.

**Mr CHAIRMAN:** Can I just pull you up there for a minute, John. We have those matrix of what has been done.

**Mr ELFERINK:** All right.

**Mr CHAIRMAN:** We might ask to hand those out.

**Mr ELFERINK:** The short answer to my question, up until this stage, is none, is that correct?

**Dr RITCHIE:** Yes.

**Mr CHAIRMAN:** While you are dealing with that, can you provide an explanation of: refurbish and rebuild, and how many rebuilds are practically to the stage of being a new house?

**Dr RITCHIE:** We are anticipating the term rebuild is there where linking with the existing primary fabric, that is the slabs and walls, but it is pretty well expecting everything else to be replaced, so anything around \$200 000 for a rebuild.

**Mr CHAIRMAN:** Are there any places where everything is going, bar the slab, and what is that classed as?

**Dr RITCHIE:** A rebuild is a rebuild, and a new house is a new house. If there is nothing worth having but the slab it would be questionable whether the slab is any good also. I believe in most cases that would be just hooking up to existing, it is a serviced site.

**Mr CHAIRMAN:** Are the refurbishments just being done in the wet areas or is the whole house being refurbished?

**Dr RITCHIE:** The refurbishments are designed to get houses - all the wet areas, the kitchen areas - operating safely and serviceably, so there is clean water in and dirty water out, there is safe power connections, and all the essential services are working properly.

**Mr CHAIRMAN:** And there is a limit to the amount of money for those refurbishments? That is capped, is it?

**Dr RITCHIE:** By and large, we figure a refurbish would be under \$75 000.

**Mr ELFERINK:** A couple of history question here. The first one is: the initial cost estimate per house - per unit for lack of a better expression - was \$350 000. That was out by, guesstimate, 22%, 23%. Can you explain to this committee why it was out so dramatically?

**Dr RITCHIE:** In this program, there were a lot of unknowns, which included the actual costs of building houses. They also include the costs of infrastructure. Rather than holding up the program, and by waiting until all is calculated via a big scoping exercise, the approach was taken to press ahead and to start work in those first three communities to find out from that experience what the cost would be. The whole design of this program is to be of a construction which, unlike a fixed price contract, enables us to go back to the alliances to change scope and to adjust and adapt our strategy to get the best value for money.

**Mr ELFERINK:** At what point did you start to become aware that \$350 000 just was not going to be the right amount of money?

**Dr RITCHIE:** When most of the scoping was done on Groote Eylandt, it became very clear we were not going to build houses on Groote Eylandt for \$350 000. We had also been watching some of the tendered bids come back in on government employee housing in the same area, and the prices were getting back much higher than \$350 000. The question then is, the \$350 000, like the \$450 000 now, was always meant to be an average, a way of conceiving the entire program; so it was always expected some would be more than \$350 000, and some, we hoped, were less.

**Mr ELFERINK:** This was your \$520 000 to \$290 000 spread, yes?

**Dr RITCHIE:** Exactly. In answer to your question, the Groote package, we saw, were double that. They were a price at the centre and very iffy. We realised we have to really work to get the houses, particularly in the southern half of the Territory.

**Mr ELFERINK:** Mr Davies referred this morning to the metrics would not be met, therefore, I presume, the minister was informed. When was the minister informed?

**Dr RITCHIE:** As I was saying, when we completed the package development reports for Groote Eylandt and Tiwi, it became apparent, on those remote island communities, the cost would be considerably more than \$350 000. At that point, both governments became concerned, and we were told we had to get those packages in on the mainland, particularly further south outside the cyclone area down, if we are going to stay within the matrix, as Mr Davies said.

**Mr ELFERINK:** And when was that? When were both governments informed? Was it by correspondence or something of that nature?

**Dr RITCHIE:** The packages were signed off by government, I think, in May this year.

**Mr ELFERINK:** May. So, the first the Territory minister became aware these matrix would not be met was in May 2009?

**Dr RITCHIE:** Both governments became aware in May when we took the final packages – Groote Eylandt and Tiwi. Those island communities were costing a lot more than \$350 000 and it had to be, obviously, considerably lower than \$350 000 prices achieved on the mainland and in the southern part of the Northern Territory, if we were going to stay within that \$350 000 average.

**Mr ELFERINK:** Okay. That brings us then to the average price of the units. The advice I have received, and I understand that Mr Wood has received, is that there is some change as to what the original concept was and what is actually going to be delivered. Do you have a set of original concept plans, or concepts which were formed up, and do they currently accord with what is planned for being delivered now?

**Dr RITCHIE:** As I said earlier, the objective was, and is, to build houses that are robust, that are built to a quality that is suitable for running public housing with a 30-year lifetime, and also, that meet the particular living conditions of the communities for which they are built, so the basic core guidelines for that are contained in this National Indigenous Housing guidelines, which we can table.

**Mr ELFERINK:** When you did your original costing for \$350 000, you would have had an idea of what was going to come forward. You got your alliance partners together, you would have given your alliance partners a certain standard to meet, and an expectation, was that a written document?

**Dr RITCHIE:** I am not aware of - the \$350 000 notional average was based on an average of existing tender prices that had come in during that period, 2005 to 2006, so it is an average.

**Mr ELFERINK:** Sorry, I am trying to determine whether or not the alliance partners were given something, a set of expectations, a standard, if you like, as well as, houses measured, number of bedrooms, square feet of concrete space, or is it just dwellings? What were they given, and can you table a copy of that?

**Dr RITCHIE:** Well, the National Indigenous Housing guidelines are the central plank. They do specify a range of things, from the specific robustness of fittings, down to some of the cultural considerations that have to be accommodated. Those guidelines form part of the requirements of the alliances. The second thing that they are required to do is that they are required, as part of their KPIs, they have to consult with the community, and they have to be able to demonstrate that the community is satisfied with the housing that is being provided, so that there is, if you like, an objective set of guidelines that have to be met, plus there are some KPIs around the community actually accepting what is being proposed, both at the design stage and then, as they are completed.

**Mr ELFERINK:** Were communities presented with something at some point in the past by the alliances, and do you have copies of what the communities were presented with?

**Dr RITCHIE:** What we have got is, we have got plans for the packages that were negotiated on Tiwi Islands and Groote Eylandt.

**Mr ELFERINK:** And what about the other alliances?

**Dr RITCHIE:** Well, at the moment, we are in the process of negotiating the packages with the other communities, but yes, we have got some designs and we can provide those to the committee. Can I just, through the Chair, these designs are still the commercial property of the alliances and, like all designs, they have asked that they not become public property, but I can let you have a look at the designs.

**Mr ELFERINK:** We can make that an in camera.

**Mr CHAIRMAN:** The only I would ask about that would be that, I mean, once the house is being built, you do not need to hide the design, because you can go and look at the house, so were we talking about houses that have already been agreed to in design, or houses that have still got to be agreed to?

**Dr RITCHIE:** I am talking about the designs that are currently being negotiated. Government has not signed off that we are actually going to purchase those designs yet, whether we find them satisfactory, the community has not signed off on them, but what you are seeing is a work in progress of which the alliances are doing, which you may find useful.

**Mr ELFERINK:** Okay. In the case of the Tiwis, and the other one you mentioned, was it Groote?

**Dr RITCHIE:** Groote.

**Mr ELFERINK:** Yes. In those instances is what is being built now reflect what the community was shown originally? I mean, are they the same things, or are they smaller, or are there fewer bedrooms? Is there ...

**Dr RITCHIE:** In some cases, it goes without saying, if you are going to set an upper bound on the price of a house, then you will limit its size, which was also said by Mr Davies this morning. Some of the designs on Groote Eylandt were designed for more bedrooms than can be accommodated in a \$450 000 design house.

**Mr ELFERINK:** So, basically, the experience so far has been these houses being constructed are going to be smaller than the community was originally shown?

**Dr RITCHIE:** They are not smaller than the community was originally shown; what we are talking about is future houses.

**Mr ELFERINK:** What I mean, you have just told this committee there will not be as many bedrooms as initially proposed ...

**Dr RITCHIE:** No, that is not right.

**Mr ELFERINK:** Sorry.

**Dr RITCHIE:** We keep faith with the community. The Groote Eylandt packages, the way they were negotiated, just to generalise, there was a tendency on Groote, which was not the same as Tiwi, to favour larger houses. So that reflects the designs and the cost of the houses, and that is one of the reasons why the houses came in at considerably more than \$350 000.

We will build those houses because the fact is they will accommodate a large number of people; so the objectives of the program will be met there. What we are saying though, in addition to the scoping restraint at the community level - so at the moment each community is allocated a package of money to solve the over-crowding problem the best they can - but what the two governments are saying is: we know you can build good quality, three-bedroom houses for an average price of \$450 000; we know that because we have had the results of three packages; we know much more about what the real costs are; we have had the alliances in place for 12 months, and we are now going to put an upper ceiling on the limit on the average cost of housing.

There will be some constraints in that but, as Mr Davies said, they still meet all the guidelines.

**Mr ELFERINK:** Have the alliances been showing drawings and plans to people throughout the Northern Territory which cannot be constructed for \$450 000?

**Dr RITCHIE:** It is possible, but negotiations have been going on with communities and there has been a high level of involvement and a high level of say over what happens.

**Mr ELFERINK:** Has the department been checking what the alliances are actually showing to the people on the ground? Is there some process to audit this, or is it just a case of we are relying on the alliances to go into the communities and say this is what we can do, and then all of a sudden it gets pulled back because of price constraints?

**Dr RITCHIE:** I understand. It is important to remember the alliances are consortia, and part of the consortia is the government. So there are government members in each of the alliances so that we are fully aware all the time of what the alliances are doing.

**Mr CHAIRMAN:** The member for Katherine would like to ask a question.

**Mr WESTRA van HOLTHE:** Yes, it is along the same line. Listening to the member for Port Darwin and his line of questioning, I believe we are trying to establish what the alliances took out to the communities in terms of plans or information so they could start that consultation process.

You started off 12 months or more ago with an average price of \$350 000. Did the alliances go out to the communities with that figure in mind and then come back and say: 'we cannot do it for that sort of money'. If they had the original price of 350 000, how did you arrive at that given there surely are other remote Indigenous housing programs building houses, and that would have given you a strong indication of the cost of building a house in a remote community. How was that \$350 000 out by \$100 000?

**Dr RITCHIE:** As I was saying before, the \$350 000 was an average of historical information on the cost of housing across the Northern Territory. It is always understood the islands are almost double in some cases. When the alliances went out to Groote and to Tiwi, they were not expecting to be able to deliver everything for \$350 000, in much the same way as Mr Davies said the \$450 000 average is meant to be the average cost, with the expectation remote island communities will exceed it. In answer to your question, the reasons for having the alliance is they will be able to achieve economies through large scale purchasing, and through innovation. The distance, and all the factors associated with remoteness, do drive costs up on those islands.

**Mr CHAIRMAN:** Member for Arafura.

**Ms SCRYMGOUR:** David, I have a series of questions. Following on from the questioning from the members for Port Darwin and Katherine, given the Northern Territory Government had not taken over

responsibilities for housing in remote communities up until 2007, both governments had, for a long time, some indication and information about the cost of housing in remote communities. Whose requirement was it to do the consultation - the alliance model? Some of the criticism from communities is: we want houses, we know what houses we want, why are people consulting; we have not seen any houses. Who required the consultation? Was it agreed to between the Commonwealth and the Northern Territory, or is it simply to hand-ball the responsibility of getting housing happening communities?

**Dr RITCHIE:** There are two questions there, one is about the alliance method, and the other is about consultation specifically. As I have said in my preamble, it is recognised by both governments to do a program of this scale that was able to make headway against a historical and predicted increase every year of between 2.5% and 3% in remote populations, where we already had a big backlog in housing, involved doing things completely differently. One of the things both the Commonwealth and Territory governments agreed on was we would jointly investigate and assess all known delivery methods from fixed-price contracting, alliancing and delivering it straight through government construction divisions, etcetera. A contract was awarded to Connell Wagner in mid-2007 to produce a very detailed report which went to both governments on the best way of delivering this program, and it was on the basis of the recommendations of that report the alliance method was chosen.

**Ms SCRYMGOUR:** So to the Commonwealth, was it?

**Dr RITCHIE:** It was to both governments.

**Mr CHAIRMAN:** Is it possible to get an executive summary of that report?

**Dr RITCHIE:** It is. We can do that. We can probably get the whole report.

**Mr CHAIRMAN:** Do people want the whole report?

**Mr ELFERINK:** Yes, please.

**Ms SCRYMGOUR:** If we could get that.

**Mr CHAIRMAN:** If we put that as a question on notice that Dr David Ritchie provide the Connell Wagner Report on the process for selecting ...

**Dr RITCHIE:** Delivery methods for SIHIP.

**Ms SCRYMGOUR:** Delivery methods for SIHIP.

**Mr CHAIRMAN:** I knew there would be a management terminology.

**Mr ELFERINK:** Whilst we are on the delivery methods for SIHIP, one of the things stipulated in this report, which is the review from August 2009, the Northern Territory government, essentially as the sole manager prior to this time, outsourced to consultants a large slice of the work. Why was that decision taken to outsource to consultants, by what methodology were those consultants selected, and how much were they paid?

**Dr RITCHIE:** A few bits in that, too.

**Mr ELFERINK:** Yes, there are.

**Ms SCRYMGOUR:** Through the Chair, can I get David to finish what he was saying and then we can get to your ...

**Mr ELFERINK:** I am sorry, I ...

**Mr CHAIRMAN:** Sorry, I did not realise ...

**Ms SCRYMGOUR:** No, I am still waiting for my answer.

**Mr ELFERINK:** On consultation, was it not?

**Ms SCRYMGOUR:** Yes.

**Mr CHAIRMAN:** I thought we were finished with that question.

**Mr ELFERINK:** Sorry.

**Ms SCRYMGOUR:** No, that is all right, John. We will get there.

**Dr RITCHIE:** In answer to the second part of that question, who decided the need for consultation ...

**Ms SCRYMGOUR:** Yes.

**Dr RITCHIE:** ... it came from, I understand, and I believe you will find this in the Connell Wagner report too, there was a gap between the governments deciding what is good for communities and what actually works in communities. One of the reasons given in the assessment by, and some assessments that have been done of the IHANT program and by ATSIC for housing programs not working, is because communities were not involved in their design and were not consulted. So like all things, you can over consult and there is a time for talking and a time for doing, but in this case, given this was a radical change, involving leasing, engaging the communities so they understood the opportunities for work and for ongoing economy being created around them, it seemed important to do fairly extensive consultation.

**Mr CHAIRMAN:** Can I just butt in, before the member for Port Darwin finishes there? But in the case of Bathurst Island, which has had housing since 1975, you would think there would not have to be much consultation. There have been a range of designs, and you would think the people would know which design they found the most practical. Also, do you not take into consideration – as been said here a number of times - you are building Housing Commission houses basically, which have to be practical, relatively cheap, functional, and also low energy, if possible. Now, surely those also come into consideration fairly prominently, because, as someone said, we are not building a mansion at Brinkin or Bayview?

**Dr RITCHIE:** While every attempt is made by the governments to not do one-size-fits-all. There are some communities which did things very well before, there is no question about that. The other thing there is no real question about is that most communities did not, and there is some good evidence that one of the reasons housing programs fail is because communities have not been involved and the communities see things delivered by the government off the back of a truck ...

**Mr CHAIRMAN:** And what do you mean by fail, by the way?

**Dr RITCHIE:** The housing tends to last well below what would be the reasonable life expectancy.

**Ms SCRYMGOUR:** Shoddy designs.

**Dr RITCHIE:** I believe Mr Davies referred to eight to 12 years for the functional life of housing, when you would normally expect 30 years plus. Within the life span of the house, you have repeated catastrophic failure of major systems within the dwelling and the maintenance of all those failures is at a complete minimum. Those three problems were pretty endemic prior to the new arrangements.

**Mr CHAIRMAN:** Is there also an issue we have dropped off programs teaching people how to live in houses? I cannot believe that because a house is made of certain material it necessarily should fall down, it obviously has to be maltreated to fall down, so are there issues in relation to the misuse of houses? I know – again, I can refer back to Bathurst Island - they used to have programs to help people, who for the very first time in their life moved into a house after living in a tin shed. Have those programs also dropped away, and is this part of the program: to help people to manage their own houses?

**Dr RITCHIE:** There is actually in the community - we can point to this - very good work done by the Fixing Housing for Better Health Program Paul Pholeros is working. He found, of the cause of housing failures, about 30% - I think it might be 28% to 30% - was actually due to poor design, poor fittings, or poor construction. Whatever it is - about 60% - had to do with the problems of overuse, because the houses are being asked to accommodate three times the number they are actually designed for. About within 10% or 15% - something around that – are actually caused by abuse. Abuse has always been a very small part of the reason for housing failure.

However, you are absolutely correct; good tenancy management is critical for getting long-term use out of these houses. That is one of the reasons why government has decided to take on, for the long term, responsibility of managing the houses. With the responsibility for the upkeep of the house comes a

commitment from government to maintain them properly, and to manage the tenants properly. So, tenants who badly behave can be removed, and people entering houses can be put through good training programs and build the ongoing support for all tenants.

**Mr ELFERINK:** Back to my question, in relation to the decision to farm this out to consultants. Who was consulted? How many consultancies? Why was that philosophy chosen, and how much did it cost?

**Dr RITCHIE:** The consultants being referred to are probably in two broad areas. The first is the requirement - which was one of the recommendations in Connell Wagner, but it was certainly a requirement of the Australia government – that the program be managed by an external program manager, which would be a commercial company selected through competitive tender. So the ...

**Mr ELFERINK:** Just help me here. We are not talking about the alliances, we are actually talking about the management of the program. That was a requirement of the federal government, was it?

**Dr RITCHIE:** The program for SIHIP, as originally conceived, was to have a program manager who would be separate from the state government bureaucracy, and would have a track record of actually managing alliances, because we needed a Tier 1 project management company, with experience of alliances to set this up, because it had never been done in the Territory before.

**Mr ELFERINK:** Okay, so that was the reason it was chosen. Who was selected?

**Dr RITCHIE:** Parsons Brinckerhoff was selected as a result of the tender process.

**Mr ELFERINK:** How much were they paid?

**Dr RITCHIE:** In total, which is pretty well at the end of June, it was \$8.2m. They were in place early in 2008.

**Mr ELFERINK:** So, they received \$8.2m and, now, the government has drawn them t back in-house?

**Dr RITCHIE:** Their role has been substantially reduced. The actual responsibility for project management is now with a team comprising the Commonwealth and the Territory – so, Andrew Kirkman and the Commonwealth counterpart.

**Mr ELFERINK:** I asked the question before and, perhaps, you can answer it. In relation to before this review was done, how many public servants, both Territory and Commonwealth, were committed to the implementation of SIHIP? After the review was completed, how many public servants, both Territory and Commonwealth, are now committed to the implementation of SIHIP?

**Mr KIRKMAN:** There are 44.

**Mr ELFERINK:** That is Territory and Commonwealth?

**Mr KIRKMAN:** That is Territory consultants, and there were about four Australian government personnel which were associated with the program, perhaps not full-time.

**Mr ELFERINK:** And how many now?

**Mr KIRKMAN:** Now, there are around 50 Northern Territory government and consultants, but less than 10 consultants in that mix, and there are likely to be around 15 Australian government personnel in the joint management team. Those Australian government personnel will not come at a cost to the program, they will not be part of that 8% program management fee, which is ...

**Mr ELFERINK:** So that is an extra component paid for by the Commonwealth?

**Mr KIRKMAN:** By the Commonwealth, outside this program and outside the Territory government.

**Mr ELFERINK:** The Territory government employees are being drawn from within, so SIHIP is paying for the Territory government employees?

**Mr KIRKMAN:** That is correct, that is within the 8% program management fees, which Ken Davies was discussing this morning.



**Mr CHAIRMAN:** Can I just ask, are you saying we have got 10 consultants at this stage?

**Mr KIRKMAN:** There will be under 10. There will be some that we will procure for technical services. We have got external auditors, KPMG, which are reviewing, which will provide an external sort of review for us. They are external consultants. We have got a designer, an expert designer consultant as well.

**Mr CHAIRMAN:** Could I just ask, but in the process, Alliance have now put out their design, and that has been agreed on. The next process is to build a house on the block of land. Where does the consultancy now come into this whole system?

**Mr KIRKMAN:** I guess there is still agreement to be had around housing designs with the new houses.

**Mr CHAIRMAN:** But how long have they been going for, because I remember, I had a briefing some months ago, looking at one for Oenpelli, and they have not been agreed on yet, and the Wet Season is nearly on our door step.

**Mr KIRKMAN:** They have been largely agreed on, I think they are finalised.

**Mr CHAIRMAN:** This is a long process, that is the only thing that worries me.

**Mr KIRKMAN:** This is a reasonable process. These are the housing designs that they are going to be living with for the next five years, at least, of the program, these will be the housing designs which we have to deliver for the 750 houses under the program so, yes, we need to get it right.

**Mr CHAIRMAN:** But it will not be this Wet Season, really?

**Mr KIRKMAN:** I believe it will be this Wet Season, we are agreeing on designs on new houses prior to the end of the year.

**Mr CHAIRMAN:** Yes, but it will not be built until the next Dry Season, when the rain comes you will not be getting out to Gunbalanya.

**Mr KIRKMAN:** What we are doing, I guess, in the Wet Season is, not only finalising those designs, but finalising the subdivision designs, even the number of houses we will be putting on the ground next Dry Season. There is a substantial amount of work that needs to be done to prepare for that work. There will be work started on, through an early works package, both in Tiwi and Wadeye, on the new housing designs, with the view that that work can continue during the Wet Season. What the alliances are doing right now is, I guess, stockpiling materials to allow them to continue works during the Wet Season.

**Mr ELFERINK:** That is pretty much what ...

**Mr CHAIRMAN:** The consultants, how much money are we paying consultants, I mean, they are necessary, are they, at this stage?

**Mr KIRKMAN:** The consultants we have on board are the ones that are absolutely necessary. We are going through, I guess, a transitional management framework which I guess, we have seen sort of 50% of the management framework, which was consultants, reduced down to a similarly less number than that, and it is reducing down to a number that will allow us to achieve that program management, I guess, the objective in terms of costs, at that 8% of the program.

**Mr WESTRA Van HOLTHE:** I might have missed it, but you said that, prior to the review, there were 43 Northern Territory public servants and consultants. Of that 43, how many were consultants?

**Mr KIRKMAN:** Approximately 50%, so a little over 20, I guess.

**Ms SCRYMGOUR:** Were consultants?

**Mr KIRKMAN:** That is correct. Just to clarify, the team at its full capacity would have been around 50 prior to the review, so it is not substantially different now in terms of numbers. However, 50% of that team were basically external project managers.

**Ms SCRYMGOUR:** Through the Chair, can we get a breakdown of what role those consultants had? I can understand KPMG in their role as financial auditors making sure the money is not going off anywhere

else and is being spent on the program. But, 20 consultants, to do what on this program? If I could ask the CEO, what is the cost of a house in Darwin? If you were to build a standard three-bedroom Northern Territory government housing house in Darwin, what would the cost of that house be? We know we can factor in the percentage cost for remoteness and all the issues that come with geographical location, but for a standard design in Darwin it just seems to be this convoluted program with 43 people, 20 consultants, and now you are saying after the review from the Commonwealth and the Northern Territory, which was supposed to make the program work better, we are seeing a reduction in consultants from 20 to 10; what are those consultants doing?

**Mr CHAIRMAN:** So you are asking if we could have a copy of what those consultants did before the review was put in place and what their roles were; how many consultants there are after the review, and what their roles are, and some idea of what cost that was to the total project. That seems a lot of consultants to build houses.

**Ms SCRYMGOUR:** The CEO of the department was talking about houses that have been built in communities to date; you were saying 15 new houses have started, and how many refurbishments?

**Mr KIRKMAN:** 42.

**Mr ELFERINK:** How many refurbishments? According to Professor Harmer 180 will be completed by December 2009.

**Mr CHAIRMAN:** Are you happy to take that question regarding the consultancies?

**Mr KIRKMAN:** Yes. That is right; there is a schedule there which breaks down the current progress against each community in the package. To respond to that question on notice about the roles of external providers prior and after the review; one comment on that, as David Ritchie mentioned, Parsons Brinckerhoff had been engaged to manage the program and that required them to establish a management structure which included a number of their personnel.

**Mr CHAIRMAN:** That included paying themselves as program director? The joint management team was made up of that company?

**Dr RITCHIE:** Up until the review, both governments had procured the services of a project manager from a major company specialising in managing projects of this scale using alliance contracting - that company was Parsons Brinckerhoff. To do that they staffed their operations and so it is the staff of Parsons Brinckerhoff which are being described as consultants here. So, the consultants are Parsons Brinckerhoff who were procured as project managers and then, in addition to that, there are some specialists such as KPMG as auditors and GH&D doing infrastructure design, and a few others, a couple of individuals there for specialist work.

But the major procurement, external provider was Parsons Brinckerhoff to provide project management services.

**Mr ELFERINK:** One issue I would like to deal with quickly, where is SIHIP currently located? Where is the administration done?

**Dr RITCHIE:** The administration of SIHIP is being run out of the Chan building across the road.

**Mr ELFERINK:** Where they are doing the air-conditioning now?

**Dr RITCHIE:** That is right.

**Mr ELFERINK:** When did they move in there?

**Dr RITCHIE:** Earlier this year.

**Mr ELFERINK:** When was that?

**Dr RITCHIE:** Roughly, after the Wet.

**Mr ELFERINK:** All the work being done there at the moment, is that to accommodate the SIHIP staff?

**Dr RITCHIE:** I do not believe it is just to accommodate SIHIP, because there is an intention of moving to another building.

**Mr ELFERINK:** The interest I have then is how much is the cost of accommodating SIHIP being born by the program itself?

**Dr RITCHIE:** Well, I think that has been answered. The cost of running SIHIP is within the 8%.

**Mr ELFERINK:** The air-conditioning unit at the Chan building is not being paid for by SIHIP?

**Dr RITCHIE:** It is covered ...

**Mr ELFERINK:** No. Okay, thank you. The other thing I am curious about is you refer to your consultant, Parsons Brinckerhoff, being the project managers. With the Commonwealth putting up the lion's share of the cash for SIHIP, and if Parsons Brinckerhoff is running the show, what was the Territory Government's function?

**Dr RITCHIE:** The alliance includes representatives from the Territory Government. The management of the program, the policy direction and the ownership of the program is jointly shared with the Territory.

**Mr ELFERINK:** It appears to be fairly peripheral. We put up \$100m from the \$700m, we project manage the project managers, we then sprinkle staff into the alliances; that is fairly remote management strategy for \$700m, one would think, especially if you are taking 8% of that.

**Dr RITCHIE:** The asymmetry of the cash provided between the Commonwealth and the Territory is often like that. The Commonwealth is about putting money into new infrastructure; the Territory is about then picking up the ongoing part. Our interest is making sure that infrastructure spend meets the needs of Territorians, and that spend is maximised for the benefit of locals and to drive local industry, and the end result forms, in the case of this program, housing, it forms the nucleus of viable and sustainable remote communities. All that strategic involvement and leadership at that level is with the Territory, done jointly with our Commonwealth partners.

The day-to-day running of a massive program like this, worrying about procurement and the costs of getting stuff to and fro across the Territory, and making sure all the components along the big critical path of a program like this are all met, that detail belongs with a project manager. That is why, in the initial and most complex set-up stages of this, both governments felt it was money well spent, getting a company which specialises in that sort of work.

**Mr ELFERINK:** Until August 2009 at least. I want to come to the next issue, which is the second "I" in SIHIP, the infrastructure component. We spoke to Mr Davies, as you are aware, this morning. We are now told all of the \$700m is now for roofs and concrete floors and all the like. Do you still have carriage of the second "I" in SIHIP, the infrastructure component?

**Dr RITCHIE:** SIHIP is the capital works component of the whole reform of remote housing. Part of that reform is to ensure we have the infrastructure to support the housing. To that extent, we have carriage of that part of the program.

**Mr ELFERINK:** Does that mean you will be building sewerage systems, power lines and that sort of thing.

**Dr RITCHIE:** What we are involved in doing at the moment, is to make sure that our purchasing, we have the purchasing power which goes with getting serviced lots for houses we have to build. There is other money available for servicing lots, for instance, the government employee housing in remote areas and there are the ongoing programs, the IES program. Our objective is to make sure we are working very closely with the Department of Planning and Infrastructure, as they develop plans for communities, and with the Power and Water Corporation to make sure we make sure all those things proceed together.

**Mr ELFERINK:** My concern is the Treasury briefing told us \$20m had to be sourced from an off-budget spend to cover the second 'I' in SIHIP, to a degree, there are other components as you have just said, but clearly the second 'I' in SIHIP is now requiring expenditure from non-budgeted areas. There is no budget for that \$20m which means it has to come from borrowings. Are you aware of any other components to the second 'I' in SIHIP, or any other components to the application of the SIHIP program, which are going to lead to an off-budget spend in the current financial year.

**Dr RITCHIE:** No, I am not. We know there is at least \$100m available from the national partnership funding. Broadly speaking, as I was saying before, the Commonwealth's interest is investing in new infrastructure, and the Territory's responsibility is the maintaining of existing infrastructure. When we roll out the SIHIP program, in each community we have to assess what is the best value for money, for the infrastructure spends, it may well be, better value to put in new or replace some existing, and the split of who pays for that, whether it is new or classed as an upgraded existing, is a matter of negotiation between us and the Commonwealth, and so these things vary from time to time. But the overarching principle is that we do not do anything unless it is good value for money. It would be a great missed opportunity if we are up, with the SIHIP work crews, licensed plumbers, and heavy machinery, and we do not the necessary and obvious replacement and maintenance work on some of the existing infrastructure.

**Mr ELFERINK:** That is saving money, but the question is ...

**Dr RITCHIE:** Indeed, we are talking about, it would come out of, they would be funded slightly (inaudible).

**Mr ELFERINK:** You would have to pull it out of future year's budgets. But that is not occurring in this case, this year they are pulling it out of this year's budget. No, they are pulling it out of a line item which is not budgeted for.

**Dr RITCHIE:** I think that (inaudible) rational decisions will be made. The point worth making is that with much of this we are going into the unknown, as we do detailed scoping, the extent of what the critical problems, the extent of what the best use of the available funding becomes apparent, decisions are made on the best use of the available funding in the current situation.

**Mr WESTRA van HOLTHE:** Just some specifics, I believe this will go to some questions people in the communities will want to know. You said you have 15 houses currently under way and they are at slab stage or something like that I imagine. Dr Harmer says there will be 50 new homes under construction by December, which means you will have to start 35 more between now and December. Is that going to happen, and where will those new constructions begin?

**Dr RITCHIE:** I believe so.

**Mr KIRKMAN:** Predominantly on Groote Eylandt and the Tiwi Islands, and there will be some new works undertaken at Wadeye.

**Mr WESTRA van HOLTHE:** Okay, and the same question goes really for the refurbishments. You will have to start another 130 to 140-odd refurbishments between now and December, which is only three weeks away. Where will they be commencing?

**Mr KIRKMAN:** They are under way now, so they are, once again, at Groote Eylandt and Tiwi, but also in Maningrida, Wadeye, Galiwinku and Gunbalanya.

**Mr WESTRA van HOLTHE:** That is the 42 refurbishments that were referred to earlier in questions, or is that the 138 that goes up to the 180, which Dr Harmer said would be in place by December?

**Mr KIRKMAN:** I could ...

**Mr WESTRA van HOLTHE:** Yes, Dr Harmer said in his evidence to the Senate there would be more than 180 rebuilds and refurbishments under way or completed by December 2009. We have heard here today there are 42 refurbishments under way now, plus 19 completed. So, you are still looking at a shortfall of, perhaps, 110.

**Mr KIRKMAN:** There is a significant amount of work that does need to be done in the next couple of months. I forgot to mention there are works commencing in the 29 southern refurbishment communities at Ali Curung this week. There is, obviously, work also under way in Tennant Creek. All those communities have work either under way or targeting that figure for the end of the year commencement of works.

**Mr WESTRA van HOLTHE:** Thank you. Are there any other, besides SIHIP, remote Indigenous housing programs running at the present time that are building houses out in communities?

**Mr CHAIRMAN:** Excuse me. What about the ones at Bathurst Island?

**Mr KIRKMAN:** I will just answer. There may be others, but they are not run through our department.

**Mr WESTRA van HOLTHE:** Okay.

**Ms SCRYMGOUR:** The Tiwi Islands is part of that 99-year lease.

**Mr WESTRA van HOLTHE:** I have one more. Under previous Indigenous housing programs, there were, for 2008-09 for example, 66 new houses built - according to the review. I believe they are completions. I am more interested in commencements since then. Are there any new houses being built anywhere since the end of financial year 2008-09 in the Northern Territory? I am trying to establish how long it is going to be between the end of that program, or those programs, and the beginning of SIHIP? My next question is: when do you expect the first house to be completed?

**Mr KIRKMAN:** In relation to the last question, we are looking to build at the latest, in early 2010, to get some houses to lock up.

**Mr CHAIRMAN:** Can I just ask - Dr Ritchie is only here today. Could we take questions about Local Government, because tomorrow we have Ms Amanda Cattermole, Mr Robert Ryan and Andrew Kirkman back again for more discussion on ...

**Mr ELFERINK:** Okay. In that case, can I ask two or three very simple quick questions?

**Mr CHAIRMAN:** Yes, okay.

**Mr ELFERINK:** The first one. Going back to your answers before in relation to when the minister was informed, I was told May 2009 - or the committee was told in May 2009. How was he informed? Was it by some sort of correspondence, briefing note, e-mail, or was he just told?

**Dr RITCHIE:** As I said, the minister was informed about the package costs for Groote Eylandt at the time they were signed off by both governments, so, in the usual form of a ministerial briefing.

**Mr ELFERINK:** Can we get a copy of that briefing note, please, for the committee's reference?

**Dr RITCHIE:** I would have to ask my minister.

**Mr CHAIRMAN:** Well, I do not know whether we can ...

**Mr ELFERINK:** This is an interesting point, Mr Chairman, because this was raised in committees prior to today's process. I certainly hope the minister would be forthcoming with these briefing notes. It goes to the level of cooperation between government and this committee.

**Mr CHAIRMAN:** Well, if it is not a Cabinet Paper, then we can put a request in asking the minister if he could supply the briefing note. If you want to put it in that format: the committee request or write to the minister asking ...

**Mr ELFERINK:** Well, the usual process takes three months. I was hoping for something a bit more quick than that for the purposes ...

**Mr CHAIRMAN:** We can ask the CEO to ask his minister whether it is possible for us to receive a briefing in relation to that.

**Mr ELFERINK:** Well, that then goes to my second question. My second question is in relation to the former minister, minister Anderson, who, over this issue, departed not only Cabinet, but her political party. The briefing she received - were there any briefing notes available, and will those briefing notes be available to this committee?

**Mr CHAIRMAN:** Can we put that question, through you, to the minister?

**Dr RITCHIE:** Yes.

**Mr ELFERINK:** Mr Chairman, can I say, I really would hope that the minister is forthcoming. This could be done this afternoon, I might say, not in three months' time as is the usual case, and it does go to the quality of cooperation this committee has been promised by the Northern Territory government.

**Mr CHAIRMAN:** Well, we will first of all take the question. The question is, could Dr Ritchie please speak to his minister in relation to the briefing notes that relate to a meeting that the previous minister had? We do have the power, under section 11, the committee or any subcommittee have power to send for persons, papers and records, to adjourn from place to place, etcetera. Basically, what we can do is rephrase that and just ask the CEO, could he provide briefing notes from that meeting that the previous Minister for Housing and Local Government had.

**Ms SCRYMGOUR:** Well, housing and local government, no, it would have gone to the Minister for Housing and Local Government, any correspondence between, or whatever the brief was between the CEO and the Minister for Housing and Local Government.

**Mr CHAIRMAN:** And in relation to what exactly ...

**Mr ELFERINK:** A reminder also that we do have the power to subpoena these documents in relation to the two briefings, the one that I referred to initially ...

**Ms SCRYMGOUR:** That is true, but only up to the point that, if that brief went from the minister's office to Cabinet, we would not be able to access it, but if it did not go – no, no, look, the CEO should be able to provide us with whatever he was notified, but if it went to Cabinet, we cannot get it until the Cabinet has properly accounted for it.

**Mr CHAIRMAN:** Let us finish the question.

**Mr ELFERINK:** Well, surprise, it will end up in Cabinet, you watch.

**Ms SCRYMGOUR:** What is your problem?

**Mr CHAIRMAN:** Okay, hold up, let us finish the question. The two meetings you were referring to, member for Port Darwin?

**Mr ELFERINK:** Any briefing notes in relation to the SIHIP issues provided in May 2009 to minister Rob Knight, advising him of the slippage in the timeframes for the SIHIP program, any such documentation, including e-mails, letters, correspondence and ministerial briefs. The same applies to the ministerial brief which was given to, briefs, there were two of them, if I understand it now, to minister Anderson, which caused her to leave the Cabinet on this particular issue.

**Mr CHAIRMAN:** Okay. And, if possible, well, we would like it back by tomorrow, if that can be arranged, because we are meeting again tomorrow afternoon in relation to SIHIP. Is that all right?

**Dr RITCHIE:** Through the Chair, the brief that I was referring to, about the (inaudible) issue, I will ask the minister if there is nothing in it that has not been discussed, as it contains the costs of the packages for Groote and Tiwi, and even if it is not in a Cabinet format, the information can be provided. I am not aware of any briefing that was sent for minister Anderson. I know that she got a verbal briefing from the Parsons-Brinkhoff project manager, but there were no briefing notes prepared.

**Mr ELFERINK:** She was given a subsequent briefing to that, is that not the case?

**Mr CHAIRMAN:** Well, we have got the question out there. If there were no briefing notes, then I imagine we will get informed of that, if there is, we would like to have a copy of them please, so let us leave it at that. Can I just ask, in relation to this matrix that went out, I notice there are a number of columns that are not in here any more. I am just wondering whether, later on perhaps, not now, because it is a bit hard for people to look at this, but there are a number of columns that have been deleted or changed, perhaps that is something I can discuss with you a little later, because I think we need to get on to local government, but there were a number of columns that were in there and they are not there from the original.

**Mr KIRKMAN:** I am happy to explain the changes ...

**Mr CHAIRMAN:** Looking at the time now, I wonder if we could ask Dr Ritchie whether he could answer some local government questions.

**Mr GUNNER:** I will be quick. While SIHIP was getting off the ground, while the preparatory work was being done, houses were still being built under old programs, so those needs were being met. The review

of SIHIP found that the alliance model was sound, so to confirm the advantages of SIHIP and the alliance model over the old programs; it is the Connell Wagner report you are going to provide?

**Dr RITCHIE:** Yes.

**Mr GUNNER:** So that will cover that. I had a question about how essential services were delivered under those old programs because I know they have come under delivery under SIHIP, so I was wondering how they were delivered in relation to the old programs for housing delivery?

**Dr RITCHIE:** Historically, there was a great deal of legacy infrastructure on communities; some of them old government settlements, old missions that up until, I believe, 2002 or 2003 the then Power and Water Authority would receive a CSO from government to do essential services: power stations and sewerage ponds and whatever, because many communities were still on septic systems and water tanks. After 2002 that CSO was then taken out as a separate line in the budget, as the Under-Treasurer explained, and provided to a couple of departments; but it was with the old Department of Community Development, Sport and Cultural Affairs originally, then went to DPI and is now back with us and, effectively, we purchase the essential services from Power and Water Corporation for each of the communities.

**Mr GUNNER:** That is obviously still occurring even with SIHIP. As important as SIHIP is, it is a program, and an important program, but it is a program, and they still have a responsibility to the NT government especially when you consider population growth, to deliver essential services over and above what SIHIP does.

**Dr RITCHIE:** Exactly. And the CSO has risen in response to the fact that the population is growing and being a demand for (inaudible) and some of that infrastructure is quite old.

**Mr GUNNER:** One of the other advantages, I understand, to the SIHIP program, and I am not sure if this was covered in the Connell Wagner report, is the employment and training programs attached to it. Essentially, we are will be making sure there are people with the skills in the communities to actually repair and maintain these properties, and also essential services out there, or just the properties out there?

**Dr RITCHIE:** The idea always was with a program that lasted this long to take people through full apprenticeships so you would not just be getting someone who could stand around and hand out screw drivers because you would end up with at least four (inaudible) with some trades and that then leads into essential services maintenance and, of course, to basic housing maintenance.

**Mr GUNNER:** That is one of the reasons why the properties are robust, not just in their original design nature, but in the fact there is a skills base out there to maintain them as well.

**Dr RITCHIE:** Across all of the alliances, the minimum they must achieve if they are going to get any of their profit share, is 20% local, Indigenous employment; and as part of that, they have to employ local, Indigenous people and train them while they are there, but also on exit from the community they actually have to have a personal development plan in place for each of those individuals transitioning from the work with SIHIP across to some other job, and so the whole (inaudible) of building partnerships with the shires or a local mine or another industry, is they can then pick up those people.

**Mr GUNNER:** Has any work being done on the value for money you get in the sense not only is the property lasting longer, so competitively upfront costs over the time and length of the house? Has work been done on the cost benefit of that? Is that in the Connell Wagner report?

**Dr RITCHIE:** I do not think it had been done by Connell Wagner, more about how you run a project with as many complex objectives at once. As I said at the start, once you are spending that amount of money over a period of years, the opportunity to take people right the way through and finish a program, or get them to a certificate level, is such an opportunity the government has to capitalise on it. That is an essential part of the requirement for these alliances. It is very different from the sorts of percentages of Indigenous employees required in the old fixed price contracts, which were often not met because you just could not. It is not going to be an excuse for any of the alliances to say we just could not get anyone to come and work today. They have to do it, and the KPI's mean their profit share is reduced if they do not. No doubt they will explain it to you tomorrow ...

**Mr CHAIRMAN:** That is going to be interesting.

**Ms SCRYMGOUR:** Just quickly David, has the Commonwealth agreed or given any commitment beyond four years, because this program is four to five years. Is there any commitment beyond the five years for rolling the SIHIP program?

**Dr RITCHIE:** Within the national partnership, the \$1.7bn, there has been an understanding it would be taken beyond 2013.

**Mr CHAIRMAN:** Local government.

**Mr ELFERINK:** The business of miscreant tenants and removing them as the landlord, how do you enforce it? Let us say, for argument's sake, a house in Papunya has been built under the SIHIP program, and you have a miscreant tenant and you serve notice to evict and go through the eviction process. Tell me how that is going to be done practically, and on a grant, and how it is going to be enforced?

**Dr RITCHIE:** There are a number of levels to that. It goes back to having community involved at all stages. The partnership between us, the government, and the community has, right from the beginning, been build from the start a strong relationship. We did not come in and do this for you or to you, we did it with you. Part of that is, as the houses are built and there is a high level of ownership of the design, and the way the program is delivered with employment, and ongoing involvement in maintaining the assets at the community level.

The second part is, in each community, decisions about allocation - because for most communities we are not going to have a house for everybody for many years. There will be a backlog in demand, and there will be winners and losers; there will be people who will get houses and people who do not for the foreseeable future. We have a community based group, whose role is to work with us to make those decisions for allocation, and more difficult decisions like this person has abused the trust that has been given to them with this house, they do not deserve it anymore and we should give it to somebody else. Our aim is to make sure those decisions are taken with the community, and a community that has been involved right from the beginning values the asset. It will become a no brainer. If people are in there abusing the asset, the community will want them out.

**Mr CHAIRMAN:** We will not have much of an opportunity to talk to you if we do not do it now. I know Mike is down the back there waiting, but I might ask a couple of questions in relation to local government.

There have been a couple of issues, one is the IT program. CouncilBiz, there have been quite a number of complaints about it. Can you give us an update on where it is at? Is it working, and what was the reason Barkly pulled out of the system?

**Dr RITCHIE:** As you would recall, when the local government reform was undertaken, one of the things the governments wanted out of the reform was an ability to ensure, across the Territory, local government services were delivered in a planned and coordinated way, with the other two tiers of government. Funding from the Commonwealth and the Territory would be coordinated at the local government level. The municipalities all had fairly sophisticated project management accountancy systems which allowed them to do forward planning and also acquit the sort of funding packets both governments allocate to local government. It was one of the parts of the design of the local government reform to have a consistent platform across the shires, so pretty much all the shires were using systems which talked to each other, and in particular, talked to government.

First, we would be able to see whether they were doing proper forward planning, because one of the requirements of the *Local Government Act* is they work to a 12 month plan which sits under a regional plan. Second, when governments provide money to shires for a service, that service is provided and the acquittals are made. The idea was to obtain a good software system, and put in place a good hardware platform on which to run it, which was universal and rolled out across the Territory. In practice, it did not work anywhere near as well as we had hoped. In part, because we were trying to do it simultaneously with the reforms, so while everybody was trying to get the nuts and bolts of getting their new shires established, they were also being asked to learn new business systems. In hindsight, it would have been much better if we had done it 12 months earlier, but that was not the case. It has meant we then had to go, having done the big global design, and the system which was going to solve everyone's problems, we found much of it was not all that useful for specific shires. There is work which has now been going on over the last six months has been to tailor that system specifically for the eight shires.

**Mr CHAIRMAN:** Who is paying for that?



**Dr RITCHIE:** The department.

**Mr CHAIRMAN:** Any idea how much money has been spent on it so far?

**Dr RITCHIE:** I estimate over \$1m.

**Mr CHAIRMAN:** And more to come?

**Dr RITCHIE:** Yes.

**Ms SCRYMGOUR:** Following on from the Chair's question, as I understand, with CouncilBiz, each of the shires were contributing \$1.2m to CouncilBiz?

**Dr RITCHIE:** There are two parts ...

**Ms SCRYMGOUR:** Which was management?

**Dr RITCHIE:** Yes. The idea was you could set up the software system which they all used. The hardware platform was basically an extension of the government contract, so we used the existing, we extended the government contract.

**Ms SCRYMGOUR:** What was the \$1.3m? Each of those shires, as I understand, it was, I believe, Barkly Shire, Tiwi Shire, West Arnhem Shire were contributing \$1.3m per shire to Council Biz for management, or management fees, to do what, given the three shires which were part of the Top End consortium for Council Biz, Barkly Shire pulled out, and I am not sure if Tiwi and West Arnhem are still part of it. What were they buying for the \$1.3m, given some of them were in breach of their financial requirements?

**Dr RITCHIE:** As I said, we have the software package and the hardware platforms. The government said it would do that for them, which is why we are staying in there to get that right. There was also a business, which is shires biz, which was to be run by them.

**Ms SCRYMGOUR:** Is that separate from Council Biz, Dave?

**Dr RITCHIE:** CouncilBiz.

**Ms SCRYMGOUR:** So it is not ShiresBiz? What are you saying? We are talking about CouncilBiz.

**Dr RITCHIE:** One is the system, which I suspect is ShiresBiz. CouncilBiz is the – one is the program and the other is the actual company. I am going to ask David to sort that out for me.

**Mr ALEXANDER:** David Alexander, Department of Local Government and Housing, Director of Business Strategy and Performance.

**Ms SCRYMGOUR:** Okay, so CouncilBiz?

**Mr ALEXANDER:** CouncilBiz is the organisation established.

**Ms SCRYMGOUR:** Right, so when you have three shires - the Barkly Shire, Tiwi Shire and West Arnhem Shire - all paying \$1.3m in to CouncilBiz for management services, what does that involve?

**Mr ALEXANDER:** I cannot confirm the figure of \$1.3m. I do not know that is how much shires are paying.

**Ms SCRYMGOUR:** Well, we know that is how much the shires are paying. Surely, the department must know how much each of these shires is paying in to CouncilBiz. This is part of the grief from some of the shires; that they are paying \$1.3m in management costs and they are not getting the services for they are paying.

**Dr RITCHIE:** The company you are referring to, which is the CouncilBiz, is owned by the shires. The company is run by a board which is comprised of the Chief Executives of the local government councils. It provides services back to them - that is the whole point. What services it provides are the services they want it to provide. We are not dictating what those services might be. We undertook to provide them with a

system which would allow them to do forward planning and acquit government expenditure against the funding for core services and what have you.

It is my understanding what happened is CouncilBiz did a lot of services, including procuring all the shire insurances for instance. In some cases, the insurance was quite massive for a particular shire. There were \$0.5m worth of insurance bills, which are all run through ShiresBiz because it was the essential place of procuring it. Some of the services provided by that business owned by the shires went well beyond just, if you like, the IT services.

**Ms SCRYMGOUR:** So, they were doing financial management services, as I understand. That is what CouncilBiz's management role was. The concern from some of the shires was they were in breach of their financial conditions or requirement from the department, which I think was what led to the Barkly Shire pulling out. I hear what you are saying, David; the department is not part of that. However, surely, as the funder of the shires, you would have an investment to ensure CouncilBiz was operating effectively.

That is one aspect of it. The other is whether the department, as a funder, what moves are being made or are being addressed by the government in where you have CEOs as members of this organisation to where the elected members of the shires are part of the whole process of decision-making?

**Dr RITCHIE:** There are two questions. The first one is, yes, we are very interested in making sure this works. The key to making it work is ensuring the system actually delivers what we promised it would deliver. All the modules now actually do all the bits from the grants acquittal ones, up to the links the annual report system - they all now work. We are now in the process of making those fit with the actual root business work flow routines in each particular shire.

As far as the services to be provided by CouncilBiz – sorry, ShiresBiz ...

**Mr Gunner:** No, CouncilBiz.

**Dr RITCHIE:** ... that is ultimately up to the shires though. I mean, they have to decide what they can afford and what is the best scale of this event. Initially, there was a kind of – it is government's responsibility, you do it all for us, and what we have said is, 'Look, we undertake to give you a system that is robust and does work, but once you have got the system, you have to decide about what services you want to do internally, what you want to be done externally through this business arrangement'. My understanding is that that CouncilBiz board is grappling with all that. So, in the last few months, they have really taken that on and are now making decisions, and that will become more robust ...

**Ms SCRYMGOUR:** And what, they have had a change of membership as well? That was the second part of what I asked you, with CEOs being on, and whether elected members have become part of that?

**Mr ALEXANDER:** The board is made up of CEOs. They have a constitution which says that the CEOs will be the board.

**Ms SCRYMGOUR:** I am sorry, what constitution is this? Is this the ...

**Mr ALEXANDER:** The constitution of CouncilBiz. They are established under a constitution ...

**Ms SCRYMGOUR:** And who did this, who developed this constitution?

**Mr ALEXANDER:** The department developed the constitution as part of the local government ...

**Ms SCRYMGOUR:** The Department of Local Government and Housing?

**Mr ALEXANDER:** Yes.

**Ms SCRYMGOUR:** So that goes back to my question. So the department developed a constitution, which the membership of that organisation excludes elected members, but has CEOs only in terms of the membership of CouncilBiz. Why was that?

**Dr RITCHIE:** The reasons for that are that ...

**Ms SCRYMGOUR:** Is it because we do not trust elected members?

**Dr RITCHIE:** No, the elected members have control through to their Chief Executives, and the operation ...

**Ms SCRYMGOUR:** That might be true in some sense ...

**Mr CHAIRMAN:** Hang on, just let ...

**Dr RITCHIE:** This is just a design question ...

**Ms SCRYMGOUR:** This makes me angry, this.

**Dr RITCHIE:** ... about how it works, but it was seen that a business system, like an accounting system and a paying system, is very much one of the tools that the Chief Executive needs and is used to run the operational business of the council. It is not a strategic tool, it is a functional tool for running the operations of the business, that will then provide the council with the sorts of overview that a council needs to make strategic decisions. The effectiveness of the business system is to really throw up kind of aggregate numbers, and to make projections and to look at past performance, and all of that sort of thing, that then will enable a council to then do its role, which is the strategy setting for the next year. But the operating of it is we see as something that is an operational role, not a strategic one.

**Mr CHAIRMAN:** Look, we might have to call ...

**Mr WESTRA van HOLTHE:** I have ...

**Mr CHAIRMAN:** Sorry, yes, member for Katherine, I have plenty too, but you better have one.

**Mr WESTRA van HOLTHE:** Yes, thank you. Can you say, as of today, that all the shires can produce accurate financial reports from their computer systems without having to go in and change and doctor things around to accommodate the failings of the system?

**Dr RITCHIE:** I cannot. I understand that the system – that all modules work, but at each individual level, there may be glitches and it may require work around, but all I can say is, at the moment, where every time they do become apparent, we are committed to finding out what the problem is and fixing it until we get it right, and it is getting better.

**Mr WESTRA van HOLTHE:** And at what point do the shires reach the position where they will not be in breach of parts of the legislation as far as financial reporting goes?

**Dr RITCHIE:** Well, financial reports are due at the end of this month, so we will see. I think that, realistically, they will be a few weeks over that, but having talked to both our colleagues in the Commonwealth and other government departments, they have all said that things are a lot better with the new shires in terms of acquittal of grants than they were under the old councils, so things in that regard at least are improving.

**Mr WESTRA van HOLTHE:** Yes, and speaking of old councils, that brings me to my next question. The shires have had to contend with tidying up all the finances of the previous community government councils, and an enormous amount of work has gone into doing that. Were they funded to do that, or was that something they have had to dip into their operational budget to take care of?

**Dr RITCHIE:** There was initial funding, but extent of the legacy accounting issues and the (inaudible) assets and all that related work only became apparent once they tried to sit down and do it; and I understand it has got to a point now where they have a balance that is for operating purposes. It may well be there was a decision made not to go back and try to dig into things that, for the record, no longer exist.

**Mr WESTRA van HOLTHE:** That is an interesting point in itself, as far as records from the old community government councils go. Those records, of course, would include records of assets. How is the Northern Territory government going to reconcile the fact that they will not be able to find all the assets from the previous community government councils? What are they going to do about it, will they investigate it? Because a lot of those assets, I suspect, have disappeared into the ether around different parts of the Northern Territory.

**Dr RITCHIE:** As you are probably aware, the *Local Government Act* makes the new shires responsible, in all senses of the word, for the assets of the community councils which have been aggregated to form the

shire. In the lead up, I was very aware a number of shires took steps like notifying the local police the transfer was happening on a certain day, and they may need some support to make sure assets stayed where they belong. If, in the event any shire believes there has been any kind of misappropriation of their assets, and if they notify us, we will investigate it. That is one of our jobs under Local Government.

**Mr WESTRA van HOLTHE:** Prior to the new system coming into place, there was a consultative committee, I forget the exact name of it, but it went around and did all the prior consultation, and there were a number of people on it. Can you tell me, of the people on that committee, did any of them, or do any of them have a relationship in any way, shape or form with any of the owners or directors of CouncilBiz?

**Dr RITCHIE:** I do not think so, but I am happy to take that on notice.

**Mr CHAIRMAN:** Question on notice?

**Mr WESTRA van HOLTHE:** Yes, that would be good.

**Mr CHAIRMAN:** Would you like to repeat that, please?

**Mr WESTRA van HOLTHE:** Yes. Can you advise if there was anyone on the local shire reform consultative committee ...

**Dr RITCHIE:** Just for clarification, is that the committee which was chaired by Pat Dodson?

**Mr CHAIRMAN:** It was the Transitional Committee.

**Mr WESTRA van HOLTHE:** Yes. Anyone on that committee who has or had a relationship of any kind with any of the directors or owners of CouncilBiz.

**Ms SCRYMGOUR:** I was just wondering, Chair, given that Local Government is so close to Wadeye ...

**Mr CHAIRMAN:** Might have an answer.

**Dr RITCHIE:** CouncilBiz is owned by the shires, okay, so in a way what you are asking is: has anyone on the Consultative Committee had a relationship with the board, so that it is, the answer probably is still, no.

**Mr WESTRA van HOLTHE:** But CouncilBiz was set up by someone, was it not?

**Ms SCRYMGOUR:** What department?

**Mr WESTRA von HOLTHE:** Did the department set CouncilBiz up?

**Dr RITCHIE:** What you want to know is: of the committee that set it up, like Local Government, was there anyone who has – is the question going to conflict of interest in some way?

**Mr WESTRA van HOLTHE:** It is, yes.

**Dr RITCHIE:** So what you are looking at is there anyone on that...

**Mr WESTRA van HOLTHE:** Is there anybody on that committee who ultimately sat on the CouncilBiz board?

**Mr RITCHIE:** Yes.

**Mr WESTRA van HOLTHE:** Okay.

**Mr CHAIRMAN:** I am going to wind it up there. There are more questions to ask about local government. Dr Ritchie, we will ask you back at some stage. We are going to visit Tennant Creek, although Tennant Creek may not be available for local government, certainly Katherine will. We are talking to some of the municipals tomorrow. There are many issues, you have regional management plans, councils have to do five year plans, they have budgets, and they have pre-budget work.

There are many questions we would like to ask regarding how things are going. We will make another date to look at these issues, perhaps after we have spoken to some of these communities and have more questions for you.

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**DEPARTMENT OF THE CHIEF MINISTER**  
**Mike Burgess, Chief Executive**  
**Mr Ken Davies, Deputy Chief Executive**

**Mr CHAIRMAN:** This hearing is open to the public and is being recorded. A transcript will be produced and will be available to the public. In certain circumstances, the committee may decide that evidence, or part thereof, can be taken in camera and remain confidential. Please advise me if you wish any part of your evidence to be in camera, but I remind you that this is at the discretion of the committee. You are reminded that evidence given to the committee is protected by parliamentary privilege. For the purpose of the *Hansard* record, I ask that you state your full name and the capacity in which you are appearing today. I also ask that you state your name each time you speak. Would you like to introduce yourself?

**Mr BURGESS:** Mike Burgess, I am the Chief Executive of the Department of the Chief Minister.

**Mr CHAIRMAN:** Welcome, Mike, to our first meeting of the Council of Territory Cooperation, CTC. Basically, we have asked you to come today to speak about *A Working Future* and Homelands policy, and I am just wondering whether you had any sort of statement you could perhaps to lead us off with?

**Mr BURGESS:** I might spend a couple of minutes just to give you a perspective around the background to a lot of this.

One of the things that we have been trying to come to grips with in the development of this policy framework for the Northern Territory is that, for a very long time, I am not sure that any government jurisdiction or level, Australian government level, have come to grips with the fact of the continuing 2% to 3% growth in Indigenous people living in remote areas of Australia. So we went through a whole lot of cycles of not understanding what that meant, and having plans in place to accommodate that, and to have proper service delivery frameworks so that the people who are living in regional and remote areas could access the same level of servicing that you would expect to be able to get anywhere else in the country.

The last little while in particular has brought all those issues, I guess, to a head. I think one of the first recognitions was to put a study to get some traction around the issues through this work, so around about four years ago when negotiations were on foot with the Australian government. At the time, we were trying to build up a bilateral arrangement with the Australian government that had a whole lot of schedules attached to it that spoke about different areas where we wanted to make improvements in delivery and outcomes. That led to the Australian government putting \$100m on the table, additional, for new housing, in early 2007, I can recall, I think it was about 3 January, I was in Canberra and I was talking to the deputy head of FaHCSIA, and for the first time in my experience in the Northern Territory, I heard them talking about committing to do something to meet the unmet need in Aboriginal housing. That had been a long and detailed discussion that we had been having at jurisdictional level for a long time. That eventually led to the housing MOU, which brought a lot of money to the Northern Territory, and eventually more into the SIHIP program.

That was a threshold happen, that recognition and, of course, we went through a whole lot of other phases in the process up until the hearings around the *Little Children Are Sacred* Report, NTER, Closing the Gap policy frameworks, additional expenditure, monies being put on the table at both the Commonwealth and the Northern Territory government level, all sorts of change of government in Canberra, a reaffirmation of the funding that was available; a whole new financial management regime the states have been negotiating with the Australia government through the COAG process, so a whole series of partnership agreements are now in place. In fact, there are now six Indigenous-specific national partnership agreements in place, and there are a further five national partnership agreements which have Indigenous outcome measures in them as well.

In recent times, I believe there has been great recognition by governments of all natures that more effort is required and everyone wanting to do something about it, but struggling to come up with a proper framework. The *A Working Future* document is our attempt to try and make sense of all that, and to do it in a way that makes sense to people who live in remote areas, not just to bureaucrats. It is very heavy on the

need to have cooperative approaches between governments and people on the ground - and that is the three tiers of government - and it is very heavy on trying to get efficient delivery processes so that much of the bureaucracy is cut out of it; so we get to the nub of issues and we deal with priorities on a local basis.

We are not trying to invent solutions that spread like vegemite very thinly across everything, but we actually get to things which will make a difference in the places where they are an issue. So, that is the attempt this framework makes; it is not perfect, it is trying to be many things, but it is trying to create a clearer picture for us all, and I am sure it is going to change as we go forward and learn.

**Mr CHAIRMAN:** Where did the idea of growth towns come from, and what relation have they with SIHIP?

**Mr BURGESS:** I was a member of the Emergency Response Task Force. I took over from Paul Tyrrell at the end of 2007 and, at that time, that task force was completing its report into the intervention, and there was a very robust discussion about where investment should occur and there was an anguish about not spending money in dysfunctional communities because it is a waste of money, and those types of things. The Territory had always expressed a view that you cannot use east coast metrics to measure progress and outcomes in remote areas of Australia; you needed to have a different sensibility about that because contributions are made in different ways all over Australia.

It was through that process that internally and with different Northern Territory ministers who were involved Indigenous policy, and also in Housing and Health and Education, the key for us became: what we have to get right is our approach to service delivery, and how we are going to make that work for the most people. So we started looking at this issue and framing the idea that we needed to invest really heavily in places we could use as hubs to provide services to a whole range of people; but also part of the issue we were grappling with goes to some of the issues of the philosophy of homelands and that people were creating black and white arguments, if I can use that description, it was always win/loss game - you can only have towns and you cannot have homelands, or everyone should be on a homeland and not in a town.

The real issue we were dealing with, I thought, was where will a parent feel safe to bring up children. Where are we putting the effort to normalise the sorts of things any parent would want to see? Are we putting enough effort into communities where we should be able to provide primary and secondary schools? Do we have the right functioning around just the social norms in those towns until we get the right governance structure?

We started thinking down those lines in the period coming out of the Emergency Response phase. Certainly, through the discussions around SIHIP, the Australian government focused on putting their principal investment into the major communities in the Northern Territory. That has weighed heavily in their thinking around where their National Partnership Agreement and remote service delivery is aimed. They have 15 communities where they are focusing their effort; we have 20. It goes a bit beyond what the Australian government was initially concentrating on. I think we might have ended up in the same space, but from slightly different directions.

**Mr CHAIRMAN:** Again a general question, why have you exclusively looked at Aboriginal communities? Yirrkala is next to Gove, Tennant Creek is about 40% Aboriginal and already has services already there. The ones outside the square, you have heard them before, Kununurra and Mt Isa; a large amount of money has been put into Kununurra. Why have you stuck with those well established areas, Tennant Creek, Nhulunbuy, Mt Isa and Kununurra? They all have secondary schools.

**Mr BURGESS:** A key part of the thinking was getting services to as many people in remote areas as we could. There has already been a concentration of effort in major regional centres like Tennant Creek, Katherine and Alice Springs. We wanted to provide a framework where we could get to 80% or 90% of people in remote areas with a decent service delivery arrangement.

I think the points you raise about Mt Isa and Kununurra are relevant points. I am not sure whether they are towns which have been agreed to by Queensland and Western Australia with the Australian government under remote service NPA; that is something we would like to find out. In the same way Alice Springs delivers services to many people from northern South Australia and the west over Kintore way, I am sure they probably already provide many services to people from the Territory in Mt Isa, and Western Australia. I think it would be healthy to go down that path and have a look at just what the arrangements are.

**Mr CHAIRMAN:** Was there a boarding secondary school outside Yulara?

**Mr ELFERINK:** It is the Nyangatjatjara College

**Ms SCRYMGOUR:** Nyangatjatjara, they are in financial trouble.

**Mr ELFERINK:** If that is the one you are referring to, it has three campuses, Imanpa, Docker River and Yulara.

**Mr CHAIRMAN:** Yes, and there are some services in Yulara, plus a school. I wonder why Yulara was not picked out.

**Ms SCRYMGOUR:** I have many questions; where do I start!

**Mr CHAIRMAN:** Have you, all right.

**Ms SCRYMGOUR:** I asked some of these questions before and I was steered towards questions I asked during Estimates. Some questions were not answered, so I am hoping I will get some answers off you, Mike.

We know, with *A Working Future*, an agreement between the Northern Territory and the Commonwealth for \$160m over five years. Is it more than \$160m, or if it is \$160m, is it all federal government money, and, if not, then what percentage of money is federal government money and Northern Territory government money?

**Mr BURGESS:** The way the National Partnership Agreement for Remote Service Delivery works is that we signed up to this agreement, and there is methodology in there about how the Commonwealth and the states will resource is (inaudible). In the agreement, there is a mention of (inaudible). I believe it is six years, it is about \$209m joint funding, so it is joint between the states and the Australian government. There are 29 sites which the Australian government nominated, 15 of those are in the Northern Territory. The general wording of the agreement is that we will get a proportional amount of the \$291m, in joint funding, will be guided towards the Northern Territory, which ends up being about \$160m.

**Ms SCRYMGOUR:** Million, over those five years?

**Mr BURGESS:** Spread over that time period, of which the expectation is that about a third of that will be Territory government resources applied, so it will be somewhere between \$50m and \$60m from the Northern Territory government over that time, so it is a little less than \$10m per year, each year.

**Ms SCRYMGOUR:** As part of the Working Futures policy, and the plan with the growth towns, the plan relates to remote service delivery, and part of it is establishing one-stop shops on the ground in 15 of the growth towns for both Territory and Australian government services. A Territory Coordinator General for Indigenous services has been appointed to work alongside the federal government to ensure the delivery of remote services is occurring in an effective and targeted way. That is what was on the Territory growth towns.

What will be the establishment and the recurrent costs respectively for the one-stop shops and will that money come out of the more than \$160m amount? What is the difference, if any, between the role of a person running a one-stop shop and the Government Business Managers, which are in communities under the federal government's intervention? Will the establishment and recurrent costs respectively for the Territory Coordinator General for Indigenous services and the associated bureaucracy, will that money come out of the more than \$160m amount?

**Mr CHAIRMAN:** Three big questions, are you able to answer all of that?

**Ms SCRYMGOUR:** Shall I say the first one? What will be the establishment and recurrent costs respectively for the one-stop shops, which are part of the Working Futures plan in 15 remote communities?

**Mr BURGESS:** The agreement requires us to jointly get a landing on what amount of money will be assigned to each of those areas, and I believe, over the next month or so, we have got to get a landing on those things. I do not have a specific figure to give you right now, but we will have those figures available for you because they will be reported on as part of the national report in any case.

**Ms SCRYMGOUR:** Maybe I will go back one step. What sort of planning has been done in order to establish these one-stop shops? Has the government got any idea of where we are going to establish

these one-stop shops? We talk about 15 communities, but which 15 communities and what discussion has happened within the government to know which 15 communities these one-stop shops are going into?

**Mr BURGESS:** It is all detailed in the National Partnership Agreement, so we can give you a copy of the National Partnership Agreement. It is up on the web and all the rest, but it lists the towns where they are going to be established and those 15 are part of our 20, so that is not a coincidence.

**Ms SCRYMGOUR:** So, is there joint work together with the Northern Territory and the Commonwealth to establish ...

**Mr BURGESS:** Absolutely. As part of this single interface - which is the jargon used - we have established regional operations, with regional operation centres in both Darwin and Alice Springs. We are hosting the one from Darwin. We have some of our staff and the Australian government has some of their staff in there as well. They are jointly making decisions around program design, liaison with the communities, and control of both the Australian and Northern Territory government people on the ground in those 15 communities. That is in place. We both have a Coordinator-General in place.

In addition, the Northern Territory has established a service delivery coordination in the Department of the Chief Minister, which is looking beyond the 15 and out to the 20. That is doing a detailed scoping exercise across all those communities about all of the baseline mapping of services currently available in those areas. As well as that, I have established a special subcommittee of Co-ord. I have a group of six Chief Executives who meet, at the moment monthly, to monitor progress on how we are going. Since the beginning of the year when this came into being, we are progressing. There has been a whole lot of detailed work done.

I do have Ken Davies with me. Ken is DP [inaudible] in this because he was part of the team that developed the regional service for the MPA. Ken might be able to answer some specific questions that go beyond my part.

**Mr ELFERINK:** Well, if we have extra questions, we can bring Ken back.

**Mr CHAIRMAN:** Do you want to come up?

**Mr ELFERINK:** Ken is sitting in the room, it is a shame not to use him.

**Ms SCRYMGOUR:** So, if you were someone sitting on the ground in any one of those communities, and you have a number of people - the communities have had the intervention, there is the SIHIP, there is a number of things. Now, we plonk *A Working Future* and growth towns over the top of it. How do we make sense of this one on the ground, let alone have these programs roll out so people actually get benefits of what is happening here?

**Mr BURGESS:** One of the things I did not mention in the whole list was, in the town arrangements as well, for the forms being developed in towns to explain this, we are using some of the existing resources the Australian government has in government business managers. They are now jointly managed by the Northern Territory and the Australian government to provide that direct conduit, as well as the Aboriginal liaison officers. Of course, we have people on the ground.

**Ms SCRYMGOUR:** Where are the Aboriginal liaison officers? Who are they employed by?

**Mr DAVIES:** The answer is the teams are on the ground. Indigenous engagement officers were employed, or have been employed, by the Australian government. They are part of the single government interface. They are support to the government business manager on the ground. They are tasked to work with our Regional Operations Centre Manager. We have put in a senior public servant who has a lot of experience in remote service delivery - Noelene Swanson - to run that with Joe Martin-Jard, in developing local implementation plans in the community. In a place such as Gunbalanya, which is one of the sites which is a remote service delivery site, we are going to have to utilise those people on the ground, find out who the key people are we need to network, and work with at the community level to build these local implementation plans. There are 29 sites nationally, and there will need to be some consistency in what we build. Absolutely, the process is about making sure the community owns and has worked with and built those local implementation plans to run us through the six-year cycle.

**Ms SCRYMGOUR:** Thanks for that. So, where does the federal government's business managers fit with all of this?



**Mr DAVIES:** They are part of the sort of government interface on the ground, and they are now reporting to the Regional Op Centre. The Regional Op Centre is based in Darwin in a property that we have leased and the Australian government people have shifted their people in with us. Those GBMs now are being jointly managed by the Australian and Northern Territory government in the 15 remote service delivery sites.

**Ms SCRYMGOUR:** Just the last part of that question, what will the establishment or recurrent costs respectively for the Territory Coordinator-General for Indigenous Services and its associated bureaucracy, and will that money come out of the more than \$160m amount?

**Mr DAVIES:** As part of rolling out A Working Future, Cabinet, the Northern Territory government, has agreed to an initial upfront cost of \$1m to support this establishment of the forward nation mechanism around A Working Future. The funding for the Northern Territory Coordinator-General is being drawn from that money, and the appropriation actually increases in June next year to \$2m recurrent a year. It will help us to work around coordination ..

**Ms SCRYMGOUR:** Sorry, what was that, the \$1m?

**Mr DAVIES:** It is an additional appropriation that is being made as part of Cabinet supporting A Working Future package.

**Ms SCRYMGOUR:** So it is not part of the \$60m?

**Mr DAVIES:** It is not part of the \$60m. Can I just say, through the Chair, that will be, we have got to put in one-third, the Australian government is contributing two-thirds. That will be apportioned as part of our commitment to meeting the cost of the NP over the six years. The actual funding that has been set aside by Cabinet, that \$2m a year recurrent, will be attributed to the cost of the remote service delivery NP so that we can justify expenditure with the Australian government.

**Mr CHAIRMAN:** Can I just ask some basic questions? The one stop shop is what, a government hub?

**Mr DAVIES:** It is. The one stop shop in a physically, currently at the moment, the GBMs, many of them are operating out of pretty poor premises. They do not have an office. What we want to do is establish a government, a Northern Territory government office presence in these communities. We have got the SIHIP program that is going to be rolled out, there are going to be tenancy management programs put in place, so the one stop shop, hopefully, will have a home in the community. It will have an office space, it will be the GBM and the Indigenous engagement officer. There may be additional people put into that particular community if there is specific work going on around economic modelling, or the transport strategy or whatever.

We will build it and, it may look, over time, given that it will be underpinned by the local implementation planning, it may grow, it may look different in different places, but essentially, the one stop shop at the moment looks like the GBM and the Indigenous engagement officer, working back up the line with both the Australian government and Northern Territory governments efforts being coordinated on the ground back up through the Regional Op Centres.

**Mr CHAIRMAN:** So it will not be like Katherine government centre where they actually provide services?

**Mr DAVIES:** In the longer term, there could well be a business centre. At Wadeye, for instance, the community out there are wanting to establish a business centre. We may well take some space and set one up where government people could be based in a space like that, so that is definitely possible over time.

**Mr CHAIRMAN:** I thought that would give an impetus to a growth town if the government actually put some funds in to establishing something like that. You are talking about normalising, you are providing those services within a community at a one stop shop, I would have thought had some merit.

**Mr BURGESS:** We were at Borroloola last month, and we had some really good discussions with the people out there as well who want take up some of those commercial opportunities and build something and provide space, and I think that is part of the way forward, because it brings together a whole lot of elements about people making decisions in a commercial setting to produce benefits for the town; government having a normal relationship with them, where they are not coming in and imposing something,

but they pay for commercial space, having people work out of those offices, hopefully locals, mind you, but just making it like a normal town.

**Mr CHAIRMAN:** The other question I would ask is now, and I agree with the member for Arafura about all these layers - people on communities must wonder what hit them – and we also have local government. Local government at the moment is not situated, except for Nguiu, I would not be too sure it is actually situated in any of these growth towns, and I believe that is not the way it should be.

How are you working with local government, and is there any move to put the centres of local government into these growth towns?

**Mr BURGESS:** It might be part of the stuff things I have been in looking at. Nguiu is the headquarters of Tiwi shire...

**Ms SCRYMGOUR:** People at Melville will argue with you about that.

**Mr BURGESS:** In a symbolic sense. All the other growth towns are already service delivery centres for the shires, so they do actually have a presence there, but not their HQ. Over time, it would be great to see the Roper Gulf Shire out at Borroloola?

**Mr CHAIRMAN:** I believe it should have started at the beginning actually, it is going to be hard to drag them out of Katherine. It is a nice place, but I believe we should have said: 'You will start out there.'

**Mr BURGESS:** That is a bit tough.

**Mr CHAIRMAN:** Things are tough. If you want to work in the Territory, you work out with the people.

But will it be an aim to get councils into these growth towns to give them, again, normalisation? Because it is not normal to have the head of your council, like the Victoria Daly Shire, which has its headquarters in another shire; that is not normal in any other part of Australia, as far as I know, but we have set it up that way here.

**Mr BURGESS:** I would hope, long term, they will all take that action.

**Mr CHAIRMAN:** I hope short term, to be honest with you; that is my opinion.

**Ms SCRYMGOUR:** Mr Chairman, under *A Working Future* and the one-stop shops in most of the communities - the Tiwi Islands, Gunbalanya, Maningrida, and many communities in the Arafura electorate - things were set up called rural transaction centres, and they were morphed or disappeared under the shire reforms. These rural transaction centres could have, with some funding and support, become the semi, quasi, one-stop shops or government support centres.

Because the infrastructure is already on the ground in some of these communities, is it part of the discussions between the Territory Co-ordinator and the Office of Indigenous policy to re-establish those rural transaction centres which were funded to do the very work you want to happen here?

**Mr BURGESS:** Through the Chair, member for Arafura, the issue here is the local implementation plans which we are working on very closely, or going to work on very closely, with the shires on their development. So we do not want to go in with a plan that is pre-prepared and just say to people: 'Here it is, and this is what we are now going to do to you.' What we are doing on a higher level is discussing with the shires how the service delivery program is working and also how *A Working Future* is working. We have Chief Executive Officers of the shires participating on a board of management with us, where we are working with the head of FaHCSIA. We are talking to local members of the shires, the elected membership, as much as we can through the local implementation plans, and having those look like transaction centres on the table, and building a plan which reinvigorates those, will be something we will be discussing with communities; but we will not be going in with a one size fits all.

**Mr CHAIRMAN:** This is leading off from a question the member for Arafura asked before about CEOs being on boards. Why are the presidents of those shires not involved as well?

**Mr BURGESS:** Well, it is a good question.

**Mr DAVIES:** Well, it is a good question. We are still working with the Australian government on the role local government is going to play in all this. At the moment the agreement is to bring the Chief Executives in and if they can be accompanied by the Shire President that is what we would expect. At this stage, we have not started the formal process of developing the local implementation plans. I can certainly take that on board and go back and say that is something we need to look at.

**Mr CHAIRMAN:** I am worried there is a culture happening where the CEO is the boss. The CEO is subject to the will of the council. When these councils started up, for a period of six months or so, the CEO was the boss, and that was a bad thing in the first place ...

**Ms SCRYMGOUR:** That created many problems.

**Mr CHAIRMAN:** I would like to see ownership, because in the end growth towns will have roads, which will be a function of the council. They will have parks, which will be a function of the council. I know planning is not a function of councils, but I imagine council would have much to say on how these places are planned. It would be good right from the beginning. You give confidence to that council that it is important, and it would stop the CEO on his ...

**Mr DAVIES:** Yes.

**Mr CHAIRMAN:** Yes.

**Mr BURGESS:** I think one of the challenges we all face - and FACSIA have a lead role in this and I do not underestimate their task, but it is harnessing the goodwill of the other Australian government agencies to embrace this model. There are some really good early signs; Centrelink has to be in the middle of this to make sure we get all (inaudible) right around what is the right behaviour. There are many things to line up and ...

**Mr CHAIRMAN:** So management of money is involved in this as well? I did not understand that. I do not know whether you can explain that; what else is coming with this agreement?

**Mr BURGESS:** Through the baseline mapping process we are doing in each and every community which will lead to these local implementation plans. We are looking at every funding stream coming into each of those localities. It does not matter where it comes from; we are looking at the services a government, at some level, is providing for that town, so we understand what should be available. Is there a better way of managing that service provision to cut out duplication, get the management structures as thin as possible so the recipient gets what they are looking for, get better local decision making too so we do not get the first decisions by someone in a different state that affects someone at Hermannsburg. That does not make sense in the local context.

We are going through this now. We have made really good progress on mapping that. The next stage is to directly engage the communities. Now, once we have this information we can see what our local implementation plan is going to look like, what is a better way of making these services gel to get results at the end of it that we really need to have. We will know where the gaps are, and will try to close some of them up. As you know, there is much duplication and wastage when people make decisions from afar about what happens in one of those places. We are attempting to cut that out.

**Mr DAVIES:** Through the Chair, we do not want this to be another Wadeye COAG trial where it has a huge bureaucracy sitting over it. Doing that work, engaging the local implementation planning process; some of these are quite advanced already, some we have still have a long way to go. This will be a critical part of going forward. In relation to the role shires will play in this, much interest has been generated by *A Working Future*, and by the RSDNP. They are making it very clear, and we are hearing them, they want to be involved; they want to know what is going on.

**Mr DAVIES:** The Remote Service Delivery National Partnership. The RSDNP is overlaid where there is a major building program, the 15 major communities, where the SIHIP is going, are the ones being picked up in the Remote Service Delivery NP. Our Working Future package picks up those towns, plus the additional towns of Borroloola, Elliot, Ali Curung and Papunya. There are a couple in there. Borroloola is one in particular which we see has much potential.

**Ms SCRYMGOUR:** Thanks Ken. When you look at *A Working Future*, Borroloola, Elliott, Kalkarindji are already scheduled towns. All the other communities which are listed are on Aboriginal land. You have this remote service delivery coordination team, I can understand and I know where local government could

potentially fit in, but what role do the land councils have, or traditional owners, in that process? Because you can have all the growth towns you want and all the policies about growth towns, and the one thing you need to do, in terms of normalisation, is the leasing on Aboriginal land which needs to occur. What process has been done?

**Mr BURGESS:** We have township leases in three of those towns and we have SIHIP housing leases in another seven.

**Ms SCRYMGOUR:** Is that whole of township leases?

**Mr BURGESS:** We have three whole of township leases.

**Ms SCRYMGOUR:** On which ones? I know Nguiu is the 99 year lease.

**Mr BURGESS:** So Nguiu, Umbakumba and Angurugu.

**Ms SCRYMGOUR:** They are whole of township leases?

**Mr DAVIES:** Through the Chair, the Tiwi Land Council, the ALC, the Anindilyakwa Land Council, are probably the group which is testing us, in a policy sense, around Working Futures the most. They have pushed the township leases issue, education services delivery, they want home ownership, so they are pushing private home ownership, and they are now looking at contributing part of their payments, which they are getting through royalties, to add in to what is being provided by both the Northern Territory and Australian government and they are really growing quite, it is just a fantastic implementation plan around all of this.

The Tiwis have taken an approach, where they have signed up township leases, and there are additional ones which are being negotiated at Milikapiti and Pirlangimpi. In relation to the NLC and the CLC, they have agreed to leases, at this stage, to support the SIHIP program. There are leases available to support the housing program. We have not gone in to them yet around direct negotiations for township leases, but that does not stop us from talking to them about a real town plan. There are draft town plans which have been developed for all 20 Territory growth towns, and it does not stop the Northern Territory government from working with the NLC and the traditional owners on the ground to declare a town, but it does not necessarily mean that the township lease is formally signed up.

**Ms SCRYMGOUR:** What is the legal status, Ken, with the NTER, they are still prescribed communities, so what is the legal status of those prescribed communities? Do the five year compulsory leases still apply?

**Mr DAVIES:** It definitely still applies.

**Mr ELFERINK:** We are getting very close to where I want to be any how. In relation to the compulsory five declared towns, the five year leases, when do they expire? It is probably only a good two and a half years left.

**Mr DAVIES:** 18 August 2012.

**Mr ELFERINK:** 2012, okay. One would hope those normalised leases are formalised leases at some future point. What is the Northern Territory government doing about also going to the land councils and saying we are normalising leases in townships, seeking leases for other purposes on land trusts both within towns and beyond towns. Within towns, shops and other, if you like, commercial enterprises - perish the thought, even a tourism arrangements surrounding croc hunting. Who knows? What is currently being done to exert some pressure on the land councils to do this, and what sort of response are you getting?

**Mr BURGESS:** I know you are actually seeking to get Kim Hill as a witness as well. I regularly meet with Kim Hill. The NLC has been increasingly responsive around these sorts of issues you are talking about. We have had open discussions about getting leases in place for commercial development in a number of towns ...

**Mr ELFERINK:** Hallelujah!

**Mr BURGESS:** I do not think we are all that far away from doing it. Of course, there will be some steps to go through, negotiations with TOs - all that stuff. I do not think we are far away from getting individual leases over individual plots of land for those purposes.

**Mr ELFERINK:** So there is discussions being entered into it - finally, after decades. That is good news.

**Ms SCRYMGOUR:** You should come to Maningrida, John, they have had section 19 leases in place for a long time.

**Mr ELFERINK:** I have this wonderful vision of the future where retirees from Tasmania do not go to the Gold Coast ...

**Ms SCRYMGOUR:** They go to Maningrida.

**Mr CHAIRMAN:** They could go to Groote Eylandt.

**Mr ELFERINK:** ... they go to Maningrida and sit on the beach there. I would love to see that happen.

**Mr CHAIRMAN:** What is section 31, because that is in the sheets of paper we had before? Is that a type of lease?

**Mr DAVIES:** It is. I cannot get the specifics of that with you. Someone may be able to.

**Ms SCRYMGOUR:** I was trying to figure out section 31. I know ALRA, and I was wondering whether that was a typo, or has there been another lease?

**Mr DAVIES:** If I had Brian Stacey with me he would be able to tell me straight off.

**Mr ELFERINK:** Bring it straight up.

**Mr CHAIRMAN:** We will be talking about it tomorrow, so do not worry today because we still have Andrew coming back.

**Ms SCRYMGOUR:** Section 31, I was trying to ...

**Mr CHAIRMAN:** Well, am I able to move slightly away ...

**Ms SCRYMGOUR:** Could I just ask one? I suppose the Northern Territory would be having this, but with the flowing on next question about the compulsory leases, the five-year leases the Commonwealth did on communities under the NTER. The transfer of those leases to the Northern Territory - is there discussions to move down that path, particularly if we look at normalisation and getting these growth towns, services and other things established?

**Mr DAVIES:** I will have a go, Mr Chairman. The issue for us is, as Mike has already said, is there are some township leases already in a formal arrangement with the Deputy Director of Township Leasing which is an Australian government statutory authority and holds the head leases for those particular towns. We are going to be working very closely with them over the next two to three years - and also with the land councils - to work out what transition requirements will be required.

The big benchmark around all of this is any built government infrastructure - that it is Australian government funded and even Northern Territory government funded - we really do need a sublease to do the building. Whether that means, at the end of the NTER, all of these arbitrary township leases which have been sectioned out, transfer across into the EDTL, or whether there is going to have to be some sort of negotiated arrangement, I am assuming the latter. It is not, at the moment, an automatic guarantee at the end of the five years these township leases in their current form are just going to be handed straight back over to a separate entity. It will depend on the review being conducted of the NTER by the Australian government, the decisions they make.

I think there is probably an assumption, in some of these communities, and this is just me looking at a crystal ball here, that there will be some who will be wanting to sign up with a formal township lease into some sort of a, you know, with the executive director of township leasing, there will be other leases that may, at the end of the NTR, lapse. It is still not clear yet, but whatever happens, if we are building assets in those towns, whether it is public housing, schools, hospitals, they will require a sub-lease from the

traditional owners through the land councils. We will not be building infrastructure out there where there is no tender.

**Mr ELFERINK:** What about existing infrastructure? Police stations, hospitals ...

**Mr DAVIES:** A huge backlog, through the Chair. A huge backlog, and we are working with the land councils to try to address that. You could ask Kim Hill about that tomorrow, but there is a huge backlog around getting a whole lot of building infrastructure ...

**Mr ELFERINK:** Surely the ideal situation is that we actually sell all of those bits of infrastructure to the land trusts themselves, or to the land councils, and lease them back?

**Mr DAVIES:** Yes, I am happy to explore the options. Those options we have not really explored yet, but I will certainly be part of the discussion.

**Mr ELFERINK:** It is just an option, I know it has been done, and it is working well on the Tiwi Islands. It actually creates jobs.

**Mr DAVIES:** Separately, there is work going in across government through the service delivery coordination unit that has been established under A Working Future banner, to start to make sure that all our sub-leases are lined up, that, in fact, we are looking really carefully at the leases on townships and the role we might want to play with the executive director of township leasing going forward. The ultimate aim is that that is a Commonwealth entity at the moment – the ultimate aim would be, once the NTR is phased out, that that entity shifts back to the Territory, but it is still early days.

**Mr CHAIRMAN:** I think the issue that worries me, I might be wrong here, but at Bathurst Island and Nguui, there are leases and there are sub-leases. The council has got to sub-lease land. The council is not a proper organisation, but it is going to get charged for being on a piece of land, but really, it is a community service, so I think there are issues around who should pay and who should not pay.

**Ms SCRYMGOUR:** I think the issue of peppercorn rental is something that the land councils have worked through. You are right, the essential services, but I think the land councils and the traditional owners have recognised, like police stations and clinics and schools are essential services ...

**Mr CHAIRMAN:** We are going over to Bathurst at the end of January.

**Ms SCRYMGOUR:** Can I just ask one more question in terms of the compulsory leases on Aboriginal – under the NTR, and at some stage, Ken, you were saying that would transfer back to the Northern Territory, that the Commonwealth government, the High Court case, that was where the traditional owners of Maningrida took the Commonwealth government to court over the compulsory acquisition of their land. Do the transfer of those leases, the discussions – the concern we would need to make sure is that the transfer of those leases, or the township leases do not come back to the Northern Territory with, you know, the reliability back on the Northern Territory for the compulsory acquisition compensation to those traditional owners falls back on the Northern Territory. Have those discussions happened?

**Mr BURGESS:** Well, that is one of a number of really complex issues in this. What we have managed to do during this process is, we are getting that core of advice around land leasing issues, all the intellectual property, that is all being centred now in our service delivery coordination unit. Rather than different groups across government having a go at little bits, we have centralised that, so that issues like that can be dealt with in context as we go forward, so that we do not lose sight of those things by an aberrant negotiation done somewhere else in government, so we are trying to capture it all.

**Mr DAVIES:** Through the Chair, the Northern Territory Coordinator-General is writing his first six monthly report at the moment and, as part of that at a very high level, he is coming in quite strongly about the issue of the funding regimes going into communities, how shires should be engaged and working, and also the issue of land tenure and making sure that there is a clear focus going forward. The remote service delivery national partnership arrangement and the local implementation plan we have directly with the Australian government requires us to work through the issues of tenure and township leases as part of that remote service delivery NP.

I envisage some of these discussions will go on as part of development of the local implementation plans with traditional owners and with the NLC, so this is going to build with momentum, but at the point

when the NTR gets switched off in three years time, whether there is a new NTR or whether all of these township leases which have been established arbitrarily, automatically shift to some entity ...

**Ms SCRYMGOUR:** Well, the NT was an emergency response, we hope we have moved beyond an emergency and there have been some outcomes on the ground in communities. I have one question for David Ritchie about the shires. The Northern Territory government is taking out section 19 leases for communities; under *A Working Future*, what work is being done with the shires to do the same in terms of their presence and authority on the ground in communities? Is that part of *A Working Future*, working with those councils to make sure that happens and they have got authority on the ground in those communities? Because that is a big problem.

**Mr DAVIES:** Through the Chair. On Nguiu and on Groote Eylandt, the shires have had to work directly with both the Land Councils and the EDTL to sort out their leasing arrangements there. In terms of the shires and the way they are working at the moment, they are doing their negotiations directly with the NLC and the CLC, and it is not all lined up in the way we would like to see it, and so that is part of the work we have to do to get on top of this.

So, are sub leases being coordinated with NT through the Service Delivery Co-ordination Unit? At the moment, the answer is no; they are tending to work directly with the Land Councils over their requirements, except on the Tiwis and Groote, where they have got to work directly to the Executive Director of Township Leasing, who holds the head leases.

**Ms SCRYMGOUR:** Does that process work better?

**Mr DAVIES:** The EDTL?

**Ms SCRYMGOUR:** Well, at Groote and Nguiu you have completely different circumstances, so that is two communities in growth towns, we have many others, is that a better process, is that process more effective than those on the other communities?

**Mr DAVIES:** Again, that is a question you might like to explore with Kim, but you would imagine if there was an entity that holds the head leases to the town and the head lease has been agreed to and there has been a sign over by the traditional owner and rental arrangements are in place and that sort of thing, that the day-to-day mechanics of issuing sub leases and sub, sub leases, why would you leave that to an overwhelmed Land Council to issue dozens and dozens of them? So is there an entity that the Northern Territory and Australian governments could work together to support these leasing arrangements going forward?

**Ms SCRYMGOUR:** If you did have a scenario like that where you set up an office of township leasing, say, Northern Territory, they would have to go through the same process as the Land Councils; is that not right?

**Mr DAVIES:** They would. They would be resourced by government to do that; they would have direct access to the town planning area, DPI, so they would be doing that as part of a proper town planning process. Administratively, you could see that it could make the life of the Land Councils, providing the traditional owners are brought in upfront, much easier but, again, that is something that you might like to test.

**Ms SCRYMGOUR:** I have a hundred more questions, but I will wait.

**Mr CHAIRMAN:** This is definitely going to be an ongoing program, and I believe we are going to be ongoing looking at it. It would be good to get something from the department, an executive summary of where things are at the moment, so we get a better understanding. When we come back next time ...

**Mr BURGESS:** I think there are several things. One is the Coordinator-General is going to be bringing out his report very soon. That is going to the public domain and will give you an independent view of what we, and the Australian government, have been doing. It will be the end of November.

We are about to take a round of status reports, through our minister, to Cabinet. We would like to get that information out in the public domain as well. It will not be very long before we can provide you with quite a comprehensive status report.

**Mr CHAIRMAN:** We might ask Pat to keep an eye on those things. I think we need to be looking at where you are going. Part of the reason for this council is to say you have said that, but have you achieved it.

Could I ask a general question? What is the government's present policy regarding homelands? I know it might be a wide question but ...

**Mr BURGESS:** Can I give you an idea of where we are at with the homelands process. There is a five stage process in place and stages one to three are complete. The first three stages were a discussion paper was released in October 2008, that was followed by a round of community consultation, that was done through to December 2008, then recommendations from that were taken back to government and the headline policy statement was released in May 2009. All those documents and summaries are on the website.

That policy statement has now been taken out in broad consultation with as many outstations and homeland communities as possible. They started in the south, and working their way through to the north. We expect those consultations to be complete in the next three to four weeks. From that, we will go back to government with some analysis and recommendations for a new framework to be in place at the end of July 2010.

The key messages coming from the consultations to date are around housing and over crowding, economic development on the homelands, and delivery of government services in that location. They are the three consistent themes that are top of people's minds in the consultations.

**Mr CHAIRMAN:** That map up there has 1022 Aboriginal communities, of which approximately 900 are outstations or homelands. What sort of a work have you done in relation to the present status of those particular homelands?

**Mr DAVIES:** We have actually had five teams of people. DLGH are working very closely with DCM on this. We have been working our way from the Centre up. We have been to Maningrida more recently. We still have not been out to the Laynhupuy Homelands area. We are working our way through and, as much as possible, visiting all the outstations. To give you an example, every single Maningrida outstation was found to be occupied and operational.

Another community we went to had in excess of 10 outstations, and largely they were unoccupied. Some of them for quite some time, and some of them are receiving funding support. Part of what we are going to be doing is looking at the total bucket and how this looks across the Territory, understanding some are single dwellings, others are dwellings which are definitely lived in for more than 8 months a year, which is what the headline policy statement says. Picking up on Mike's point, one of the critical issues is there is a policy which has been running since 1996, implemented by the old ATSIC, about no new housing in outstations.

That decision was made in ATSIC, by the full council. The outstations homelands policy then moved, when ATSIC was disbanded, into FaHCSIA, and the policy area sat there. In 2007, as part of the MOU and the transition arrangements, from the previous federal government, for a couple of key initiatives, one of which was housing, the outstations responsibility was rolled up and the Northern Territory received \$20m per year, as part of that MOU, to manage and to look after the assets in outstations.

It is a big job. The outstations policy which we are dealing with and managing now is one that has been about 10 years in genesis, and it is not going to be an easy job. But, the message we are saying to people is: Working Futures is not about forcing people off outstations; in fact, it is about servicing your area and improving a service delivery hub for you which you can access.

We are saying to people on outstations that the children must have an education program. With the new arrangements going forward, if there is going to be new housing built in the outstations, then the Australian government is making it very clear it will require tenure. There will need to be subleases on outstations if housing is going to roll forward. One other thing, if I can just wrap up, in terms of what we have found through the review process is that we have, in terms of a service delivery hub, a gap on the Utopia side. We are working very closely around Alpara, on the road going up on the Plenty Highway, not the Plenty, the Sandover, where there is already a police station, a store, there is a new mini school being built, and we are going to build that, not necessarily as a Territory growth town, but as a service delivery hub.



We have to do some thinking, and we are working with Laynhapuy on this, on the East Arnhem side and how we are going to manage the area, because, at the moment, it is basically been serviced from Yirrkala, and it is a long way down the coast to places like ....

**Mr CHAIRMAN:** They have asked me to go out there and have a look.

**Ms SCRYMGOUR:** With the audit the government is doing, have you been able to establish which outstations or homelands are ORAC funded, so they are categorised as homelands or outstations, versus which ones are community living areas established as part 5 of the *Pastoral Land Act*. There are huge legal implications for the Northern Territory government's policy because of the nature and the way in which they have been (inaudible). Has that work been sorted out to separate them, because, as I understand, and I have had a look at the list of number of outstations and homelands and the preliminary audit which was done by the department, a number of those places are CLAs, they are not outstations or homelands. That needs to be cleared up, because if those CLAs are getting access to that \$36m, which is federal government money specifically ear-marked for those organisations established under ORAC, then the Northern Territory government has been spreading the funding to areas where that funding should not have been going.

**Mr DAVIES:** That is part of the work we have done, we are workshopping it now. We are getting in Treasury and DLGH. We are going to crunch these numbers. We are going to be able to tell you exactly which outstations we visited, which outstation regional centres we have talked to, and the numbers around the way each outstation is dealt with, and how it is funded. The community living areas will be part of that mix. I am not sure how we are going to manage that, yet, in how we separate them out and actually have a look at their funding regimes, but that is part of the workshops we are going to get on to. We ...

**Ms SCRYMGOUR:** I always thought the Northern Territory government had responsibility for that, because that was part of the settlement for – I do not know, tell me if I am wrong, but I always thought when an excision or community living area is established under Part 5 of the *Pastoral Land Act*, that is part of the trade off to settle native title, or to lift or extinguish Aboriginal people's native title rights on those pastoral properties. I cannot understand why those CLAs are part of the mix of this outstation and homelands policy.

**Mr DAVIES:** We will take it on board and absolutely provide you with an update on that.

**Ms SCRYMGOUR:** If you could, thanks, Ken.

**Mr CHAIRMAN:** There is a lot; it is obviously a big area. One of the issues we have here is we have taken on three pretty big programs. One of the reasons we were doing that was because they cross over a fair bit. However, there will be times we need to simply have council meetings which deal with specific issues.

This is a pretty important issue. I just came back – well, it feels like I just came back – a few months ago from western Top End out near Legune Station and down to Mistake Creek. There are abandoned houses out there in good nick. I suppose, if I am looking from a Melbourne or Sydney perspective, and I hear someone saying we have overcrowding and, in another area, there are 10 houses abandoned, it is not a good look. We have to be realistic.

One last question I would like to ask because my family is involved in a small outstation. I thought there was a rule which, basically, said if you own a house somewhere privately, you are not entitled to have a house somewhere else in an outstation or funded by the government. I do not know whether that exists or not, but I was told there was an audit to look at who actually owns a house in an outstation and whether that person owns a house somewhere else in a town?

**Mr BURGESS:** I believe the approach being taken in this audit is we are determining principal places of residence for individuals, so they either live there or there. It cannot be both.

**Mr CHAIRMAN:** You cannot have both. Again, I do not know whether that is a cause of the shortage of houses. It is pretty important, in this day and age, all houses are used to their maximum, not a holiday house.

**Ms SCRYMGOUR:** That raises a whole lot of issues, Mr Chairman, because under *A Working Future* and homelands policy, the principal place of residence is for eight months. If you look at some areas where, if there are seasonal conditions in the Wet Season, not everybody can stay in those homelands for

eight months. If you have an old person or someone who is frail and ill, whilst their principal place of residence may be in a homeland, say, in the Maningrida region, they have to go into Maningrida during the Wet Season because of health and other issues, you penalise that person because they have to go in there for medical or other treatment.

**Mr DAVIES:** This is why these regional transport strategy is so critically important to all of this, because we are going to have to ensure there is a regional transport network. I understand the Wet Season definitely has an impact, but we do want to give people a fair guarantee if they get into a place, they can get home over time, and they are properly supported to do that.

**Ms SCRYMGOUR:** If you would look at the ...

**Mr CHAIRMAN:** We are nearly 10 minutes over time, but we will let the member for Arafura have the last one.

**Ms SCRYMGOUR:** The transport strategy, which I know the Minister for Transport is working on. As a local member, I have had some contribution to talk about the transport strategy. With the education, I hope, Mr Chairman, at some stage, we will invite the CEO of the department of Education because under *A Working Future*, it says that within a 50 km radius, if you have got an outstation within that 50 km radius, that child will have to go into the nearest hub community, and if we do not have roads or other things sorted out, how do you make that happen?

**Mr CHAIRMAN:** I think that is part of our ongoing council operations. The reason today we asked you to come is to give us a briefing about, well except for the member for Arafura, some of us do not know much about, but it is important government policy. I think that all of the stuff we have touched on today is about trying to help a section of our Territory population which could be regarded as, not disadvantaged, not really a part of the mainstream in the sense of enjoying the wealth of the Territory, and I think that is one of our roles, to try and assist if we can in any way, it means we can keep the public service on its toes if we highlight some issues where we think that they have failed, that will be a part of it as well.

I would like to thank Mr Mike Burgess and Mr Ken Davies very much for coming, and I would like to thank the members of the public there that stayed awake, I hope they come again. We will be starting up tomorrow at 9.30 am, so if anyone wishes to come, I will make a double check on that time, 9.30 am tomorrow.

**Ms SCRYMGOUR:** Mr Chairman, can I just clear up, section 31 that we had on those SIHIP matrix, section 31 was 'meetings of land councils', so that is probably the status of where things are at.

**Mr DAVIES:** That is correct.

**Ms SCRYMGOUR:** So it is awaiting the meeting of the land council.

**Mr CHAIRMAN:** Thank you very much, and thank you to Pat and Michelle, and Kay's replacement.

The committee suspended.

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