



Western Australian Submission to the Commonwealth Grants Commission 2016 Update

New Issues – National Partnership Agreement on Remote Indigenous Housing October 2015

This submission responds to the Commonwealth Grants Commission's (CGC's) note on the *National Partnership Agreement on Remote Indigenous Housing* (NPARIH).

We believe that the NPARIH should not impact on GST relativities, unless the CGC can properly assess the spending needs associated with it. The CGC's current assessments do not achieve this, and doing so would be a complex process.

The basis of the CGC's interest in assessing NPARIH is that there is a transfer of responsibility for remote Indigenous housing to State governments. However, Western Australia agreed to be the major **deliverer** of new housing for Indigenous people under the NPARIH agreement, rather than it being agreed that Western Australia would be the major **owner** or take on **funding responsibility**.

Furthermore, there is considerable uncertainty around future arrangements, with another National Partnership proposed (but not agreed) to replace the final years of the NPARIH, and no proposal for after the NPARIH's original expiry on 30 June 2018.

As discussed below, we consider that the CGC's existing methods do not adequately assess needs associated with the NPARIH.

As far as we can see, when the CGC moved from the NPARIH not affecting the relativities (in the 2011-12 and 2012-13 data years) to affecting the relativities (in the 2013-14 data year), it simply added the NPARIH spending into the housing expenditure standard, and made no changes to the disability factors.

Stock of Housing

The major component of the NPARIH is funding to deepen the stock of remote Indigenous housing (regardless of whether this housing belongs to States or not), but there seems to be no recognition of this in the CGC's housing assessment.

While the CGC could in principle develop an assessment of States' relative spending needs associated with the program to deepen the remote Indigenous housing stock, it would be inequitable to assess only the later years of the NPARIH when the shares of funding for each State have varied substantially over the life of the agreement, as shown in Table 1.

Table 1: Remote Indigenous Housing Funding^(a)

	NSW \$m	Vic \$m	Qld \$m	WA \$m	SA \$m	Tas \$m	ACT \$m	NT \$m	Total \$m
2008-09	30.4	2.8	109.5	50.0	14.0	0.7	0.2	146.6	354.3
2009-10	140.0	6.9	62.7	189.9	97.9	5.9	0.0	132.4	635.6
2010-11	22.9	3.2	70.2	85.9	19.4	2.1	0.0	471.4	675.0
2011-12	36.0	2.5	145.3	171.8	45.5	2.5	0.0	389.9	794.1
2012-13	18.5	2.5	96.9	55.4	5.7	0.0	0.0	148.8	330.3
2013-14	44.6	0.0	177.5	5.7	36.4	2.5	0.0	136.9	586.8
2014-15	60.7	2.5	143.5	36.4	27.8	0.0	0.0	126.9	510.6
Total	353.1	20.4	805.6	891.1	246.6	16.9	0.2	1,552.9	3,886.7

(a) Comprises NPARIH, East Kimberley Development Package – Indigenous Housing and Stronger Future in the Northern Territory - Housing

Source: Commonwealth Final Budget Outcomes.

At \$891.1 million, Western Australia received 22.9% of the funding shown in Table 1, while the Northern Territory received 40.0%. These figures are broadly in line with Western Australia's and the Northern Territory's share of remote and very remote Indigenous population, shown in Table 2 below.

Table 2: Remote and Very Remote Indigenous Population

	Total Population	Remote and Very Remote Indigenous Population		
		Persons	Percentage of Total Population	Percentage of 8 State Remote and Very Remote Indigenous Population
NSW	7,465,224	9,774	0.13	6.58
Vic	5,787,086	92	0.00	0.06
Qld	4,687,417	37,379	0.80	25.18
WA	2,549,145	36,567	1.43	24.63
SA	1,677,062	6,677	0.40	4.50
Tas	513,927	777	0.15	0.52
ACT	383,896	0	0.00	0.00
NT	243,807	57,173	23.45	38.52
8 States	23,307,564	148,440	0.64	100.00

Source: CGC 2015 Review Report, Supporting Data, Attachment 1.

However, it can be seen from Table 1 that the shares of funding differed substantially throughout the agreement, with the Northern Territory receiving a higher share of the funding in earlier years, and Western Australia receiving a higher share in later years.

Property Management

The NPARIH also provides significant funding for property management (maintenance and tenant management).

To reflect property management costs, the CGC applies a general location factor and an additional 30% weight for Indigenous clients State-wide.

The regional cost factor weights areas by the general population distribution, which does not match the distribution of social housing demand. Adjusting for this would change Western Australia's regional cost factor for housing from 1.012 to 1.037 (more than tripling the State's disability).

The 30% Indigenous weight is calculated from data for State-owned housing (i.e. not the community housing that is the focus of the NPARIH), and not for all States. It is unclear how representative this is for non-mainstream Indigenous housing in remote and very remote areas¹.

Way Forward

Properly assessing the needs associated with the NPARIH would require the CGC to treat remote Indigenous housing as a sub-category of housing. Such a sub-category would need to:

- comprehend the extent and nature of the transfer of responsibility for remote Indigenous housing to States;
- comprehensively assess the additional costs of providing housing services in remote and very remote areas;
- adjust for the impact of past Commonwealth support through the NPARIH and other sources on present needs (e.g. taking into account the variations in Table 1 on present needs);

¹ Of the 2,688 remote Indigenous dwellings for which the Western Australian Housing Authority provides a housing management service, 2,592 are in Aboriginal communities while only 96 are in remote/very remote towns.

- adjust for any continued support for remote Indigenous housing provided directly by the Commonwealth (i.e. not provided through States);
- bring in the value of cashouts of the NPARIH for some States; and
- in light of the Northern Territory's argument that the transfer of responsibility will leave it with a backlog of capital needs, adjust for differences in existing stock across States due to differences in their effort over time in supporting Indigenous housing.

We doubt the feasibility of this approach. The NPARIH is basically aiming to move Indigenous housing quantity, quality and management to a higher standard. A CGC assessment in this complex area may be significantly in error and do more harm than good. Particularly as half the NPARIH has not been subject to equalisation, it seems sensible and consistent to exclude the remainder from equalisation.