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Building new housing in remote Indigenous communities

SOCIAL AND ECONOMIC BENEFITS CAN ACCOMPANY CAPITAL INVESTMENT IN HOUSING AND INFRASTRUCTURE. THESE ARE MORE LIKELY TO BE REALISED WHEN CONTRACTING METHODS FOR HOUSING PROCUREMENT ARE ALIGNED TO COMMUNITY NEEDS. ALLIANCE CONTRACTING, WHERE RISKS ARE SHARED, CAN SUPPORT INNOVATION IN THE PROCUREMENT SYSTEM TO ACHIEVE ADDITIONAL SOCIAL AND ECONOMIC BENEFITS.

KEY POINTS

- Best practice housing procurement in remote Indigenous communities can contribute to social, economic and health outcomes and strengthen self-governance, when tailored to particular communities.
- Remote locations, constrained resources and complex organisational practice in governments, community and industry present challenges to the delivery of housing irrespective of differences in program scale, contract type, funding, project duration and intended outcomes.
- Time is the crucial variable in housing procurement, it is essential to achieving adequate community consultation, and realising training and employment opportunities. Time also presents the greatest risks, costly delays can result from resource constraints, climatic conditions and hidden problems with the building site and other factors.
- Traditional lump sum contracts are appropriate when housing is required quickly, or the proprietor does not have the necessary skills to manage the process because risks are transferred to the contractor.
- Alliance contracting offers a more flexible contractual arrangement, projects are jointly managed and risk is shared among all parties. This offers more opportunities for incorporating social and economic objectives.

*This bulletin is based on research conducted by **Dr James Davidson, Ms Carroll Go-Sam, Professor Paul Memmott and Dr Elizabeth Grant** at the AHURI Queensland Research Centre. The research examined a number of case studies of Aboriginal housing procurement to determine factors that can contribute to positive social and economic outcomes within these communities.*

CONTEXT

Housing procurement refers to every stage necessary to deliver new housing, from design through to construction and maintenance. Building procurement relies on legally binding contracts which establish the scope and set the terms of reference of the work to be undertaken. Different contracting methods break down arrangements for the design, development and construction of buildings, and allocate obligations and risks to each party.

Housing procurement is often the largest capital investment by governments in remote Indigenous communities. This research identified procurement practices that support the realisation of broader social economic and health outcomes.

RESEARCH METHOD

A literature review documented established techniques for measuring the social and economic outcomes of housing procurement. Four case studies were conducted in remote Indigenous communities in Queensland, South Australia and the Northern Territory. These included two small scale projects (up to 10 houses) that used traditional lump sum and construct only contracts, and two large scale projects (hundreds of houses) based on strategically administered lump sum and alliance contracting methods.

KEY FINDINGS

In addition to the physical asset of housing, housing procurement in remote Indigenous communities can provide social and economic benefits including:

- Training and employment for Indigenous people through the construction process. This requires allowances in terms of time, cultural differences and local skills capability in project planning.
- Supporting self-governance and community leadership by involving Indigenous organisations in the maintenance and procurement of housing. This works best where strong community governance structures are already in place.

- Health benefits from reducing crowding and improving health hardware (e.g. bathrooms and kitchens). This requires consideration of technical design and social arrangements. Additional time may be required to tailor housing design for a particular community and location.
- Social and cultural benefits secured through appropriate housing design and settlement planning that recognises and supports existing social networks, household structures, customs, traditions and lifestyles. This requires skilled community consultation.

Alliance contracting is suited to long-term, large-scale projects and offers greater opportunity for local training and employment

Alliance contracting is useful for long-term large-scale projects where the project scope is uncertain or unknown at the outset. Because all stakeholders share financial risks associated with delays, parties can commit to the time frames necessary for effective consultation. Alliance contracting is also well placed to meet the challenge of achieving Indigenous employment and training outcomes in remote settings within the parameters of government funding cycles, as exemplified in Box 1.

BOX 1: STRATEGIC INDIGENOUS HOUSING AND INFRASTRUCTURE PROGRAM (SIHIP), NT

SIHIP demonstrates how alliance contracting can incorporate social and economic targets, achieving a 33 per cent Indigenous workforce (at end 2010). To do this, the program identified how Aboriginal networks might best contribute to the procurement process. One program featured an Aboriginal person in the role of Alliance Workplace Coordinator with responsibility for managing the workforce. The labour pool was divided into self-selected groups of around four people, typically based on strong kinship ties. The leader of each group was selected by the group itself according to Aboriginal cultural values of appropriate status and leadership. This drew on internal social capital to ensure effective, cohesive teams.

Ensuring continuity of Indigenous employment requires ongoing investment in capacity building

The establishment of local business enterprises is one way of harnessing the opportunities presented by investment in housing and infrastructure in remote communities. This approach is most effective in supporting and promoting training and employment where there is work available close by; people are unlikely to leave their home communities for work. Opportunities to utilise the skills gained and provide ongoing work can be secured by designing housing that can be repaired and maintained by a local labour force. Training organisations play an important role in the establishment and capacity building of local business enterprises, as the case study in Box 2 demonstrates.

Access to supervision and mentoring is essential for smaller enterprises to build capacity and to eventually operate as viable businesses competing for contracts in the mainstream housing market. The alliance contracting approach can facilitate capacity building by offering the flexibility for smaller local companies to partner with larger ones in providing large scale housing contracts, thereby increasing opportunities and access to training and other resources.

BOX 2: KOONIBA BUILDING PTY LTD, KOONIBA, SA

The Kooniba Building Pty Ltd was established through a state government training scheme, on the basis of a construct only contract for a small number of houses and contracts for repairs, maintenance, and upgrades. In 2010 it employed five people, with wages supplemented through the Community Development Employment Projects program. To continue to be viable, the company must expand its operations and compete in the broader regional housing economy. The challenges to doing so are cash flow, management inadequacies and equipment deficiencies. With more training and support, this company could continue to develop and provide a source of employment and training for the local community into the future.

The right balance between the priorities of time, cost and quality should be determined according to the needs of the local community

The labour market in remote Indigenous settlements is highly mobile, and largely unskilled. Fixed, traditional lump sum contracts requiring delivery within tight timeframes generally provide no incentive for long-term training and employment, because using local labour might result in longer construction times and financial loss. However, training and employment outcomes are achievable within the parameters of a fixed traditional lump sum contract, when time allowances are made, as demonstrated in Box 3.

BOX 3: BYNOE COMMUNITY ADVANCEMENT COOPERATIVE SOCIETY (CACS), NORMANTON, QLD

Bynoe CACS, an Indigenous organisation, and Tenni and Arbouin, an external mainstream contractor, were each awarded a contract to deliver 4–5 houses. Each delivered houses similar in quality and cost, but the Bynoe CACS construction process incorporated local training and employment and took close to twice as long. Although it took longer, the contract resulted in the on-going employment of community members in a repairs and maintenance program. The pre-existing, cohesive governance structures within the Bynoe CACS made this possible, and the organisation was in turn strengthened through the procurement process.

Project planning and execution requires good strategic management of risks

Good strategic management is central to reducing risks that can destabilise housing projects. *Up* risks include elections, political responses, economic shifts and negative media. *Down* risks are associated with housing delivery on the ground and include community expectations, behavioural patterns, weather factors, remote and building sites, latent site conditions, faulty components and hidden issues in existing service provision. As the case study in Box 4 shows, strong strategic

management is central to securing good social and economic outcomes and managing these risks.

BOX 4: THURSDAY ISLAND REDEVELOPMENT PROJECT (TIRP), QLD

The Queensland Government was the managing contractor of this redevelopment project of over 100 new houses. To manage *down* risks, the project was designed around a number of traditional lump sum contracts, enabling greater certainty in timeframes and budgets. Key elements in the success of this approach in achieving additional social and economic outcomes were grass-roots cultural mapping and consultation processes. These were managed through local reference group representatives who liaised with future residents and consultants prior to construction beginning. Effective administrative processes operating across agencies and all levels of government contributed to the ability to manage potential *up* risks, especially political risks that can accompany large scale projects.

POLICY IMPLICATIONS

By allocating financial and other risks differently, different contracting methods offer different opportunities and trade-offs. Where the priority is speed and minimising financial risk, traditional lump sum contracting methods are effective, but offer little scope to achieve community training and economic outcomes. The alliance contracting method can involve local enterprises in construction and support social and economic objectives, where there is flexibility in timelines. Best practice is that each community assesses the risks and merits of these objectives, and

the procurement system is arranged to achieve a balance between the imperatives of time, cost and quality. Where possible, procurement systems should incorporate:

- Adaptability to large and small scale projects.
- Flexibility to incorporate partnership between mainstream contractors, government and community organisations.
- Responsiveness to changing project parameters, timeframes and objectives based on political, social and local contextual factors.
- Capacity building for Indigenous participants.
- Community based consultation during the design and delivery processes.
- Program longevity to facilitate meaningful economic and training outcomes.
- A long-term exit strategy incorporating tenancy and asset management and a repairs and maintenance program.

FURTHER INFORMATION

This bulletin is based on AHURI project 20583, *Remote Indigenous housing procurement and post-occupancy outcomes—a comparative study*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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