

Chapter 5

Housing as intergovernmental policy: roles, responsibilities and accountability

5.1 A central theme emerging from the evidence received in this inquiry was that all levels of government have an interest in addressing housing affordability and improving the supply of affordable housing. Moreover, there was broad agreement that good housing outcomes will only be achieved if all levels of government coordinate and align their efforts.

5.2 The institutional architecture for housing policy, particularly in the intergovernmental space, was found wanting by many witnesses. In particular, there was strong support for establishing a body with equivalent functions to the recently abolished NHSC. Some witnesses also recommended re-establishing a Council of Australian Governments (COAG) ministerial council on housing and homelessness (with the previous ministerial council having been abolished in December 2013). This chapter explores and assesses these arguments.

5.3 This chapter also considers whether a national housing plan might help improve the consistency and coherence of Australian housing policy. In particular, this chapter outlines and weighs evidence suggesting that a national housing plan could enhance intergovernmental efforts to improve housing affordability, and help ensure the supply of affordable housing is as efficient and effective as possible.

Roles, responsibilities and the need for intergovernmental coordination

5.4 Both the Commonwealth and states and territories (and by extension, local governments) are responsible for policy settings that shape housing affordability outcomes. Moreover, both levels of government provide direct housing assistance and homelessness services to help people unable to access and maintain appropriate housing in the private market. The division of responsibilities between the Commonwealth and the states and territories, and the degree of overlap in these responsibilities, was set out recently in the Reform of the Federation White Paper issues paper on housing and homelessness (see Figure 5.1).

Figure 5.1: Summary of Commonwealth and State and Territory roles and overlaps

Area	State and Territory role	Commonwealth role	Overlaps
Policy	<i>Shared lead</i>	<i>Shared lead</i>	<i>High</i>
	Oversee policies that directly affect the housing market (land release, zoning, land taxes). Social housing and homelessness policy.	Oversees policies that indirectly affect the housing market (migration, tax settings, financial services regulation). Commonwealth Rent Assistance (CRA) policy. Influences national social housing, homelessness and Indigenous housing policy.	Both levels of government share responsibility for policy to address housing affordability pressures.
Funding	<i>Shared lead</i>	<i>Shared lead</i>	<i>High</i>
	Fund social housing and specialist homelessness services. Funds grants and concessions for first home buyers.	Provides funding to States and Territories for social housing and homelessness services. Funds the National Rental Affordability Scheme (NRAS). Funds CRA. Funds Commonwealth homelessness programmes.	Both levels of government jointly and separately fund housing assistance and homelessness programmes.
Delivery	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Oversee delivery of housing and homelessness services (often provided by non- government organisations).	Typically not involved in delivery of housing services. Delivers CRA payments to individuals. Limited direct involvement in homelessness services.	Limited overlap in delivery of individual programmes.
Regulation	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Regulate housing (community housing, tenancy management, planning, land release and zoning). Local governments also regulate residential planning and construction.	Regulates NRAS.	Little regulatory overlap.

Key	
Who leads	Level of overlap
Lead	High
Secondary	Medium
Shared lead	Low

Source: Reform of the Federation White Paper, Issues Paper No. 2, *Roles and Responsibilities in Housing and Homelessness* (December 2014), p. 12.

5.5 The various responsibilities of each level of government, along with shared roles and responsibilities, are also set out in the NAHA.¹

5.6 It might be noted here that the critical question of which level of government is responsible for what aspects of housing policy is, as DSS told the committee, a matter currently under review as part of the Federation White Paper process. Ms Felicity Hand, Deputy Secretary for Disabilities and Housing, suggested that this aspect of the White Paper process was:

...an excellent initiative because, for many years, many governments have struggled with this issue of supply and homelessness. To have a review of who is doing what and how we make best use of all monies—state and territory money and Commonwealth money—is a very good thing.²

5.7 Very broadly speaking, whereas the Commonwealth's current responsibilities tend to lie on the demand side, the states and territories responsibilities tend to fall on the supply side. Notwithstanding this rough division, the overwhelming view from witnesses to this inquiry was that all levels of government need to work in concert in order to improve housing affordability and the provision of affordable housing. Thus, there was broad agreement with DSS's suggestion that better housing outcomes would 'require all levels of government to work together to address this issue, which directly or indirectly, impacts all Australians'.³

5.8 This view was echoed by a wide range of individuals and organisations. For instance, National Shelter stressed the need for a national, inter-governmental approach involving states and local government.⁴ The REIA, meanwhile, told the committee that:

...governments at all levels have an important role to play in improving affordability by addressing the structural factors that encourage excessive demand for housing and reduce the responsiveness of supply. This is to do with land release, council restrictions, development charges and fees. It is a whole lot of different issues. As we mentioned, it is complex, and it needs all levels of government to work together.⁵

5.9 The REIA made a similar point in its submission, arguing that the Commonwealth needed to:

1 *National Affordable Housing Agreement*, pp. 5–6.

2 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 28 July 2014, p. 3.

3 Department of Social Services, *Submission 198*, p. 4.

4 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 36.

5 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 76.

...take a leadership role and work with the other two spheres of government, state, territory and local, in developing a coordinated and strategic approach to the provision of housing. This means ensuring that complementary policies, covering amongst other things first home buyers, taxation and supply, are in place to achieve this⁶

5.10 The UDIA contended that:

...all levels of Government have a critical responsibility in ensuring all Australians have access to appropriate and affordable housing, because of how fundamentally important it is to the community and economy, and also because government policy has such a powerful and wide reaching impact on affordability.

State and local governments have a primary role to play in ensuring an adequate supply of land, providing sufficient local infrastructure and services, and ensuring an efficient and effective planning system to support new housing. At the same time, the Federal Government has a major role in funding urban infrastructure, supporting affordability and social housing programs, and in undertaking long term strategic population growth planning.⁷

5.11 The CFRC submitted that a 'consistent and assertive national approach' to housing policy was needed to drive improved housing outcomes. It argued that:

...the future governance of Australia's housing is a core issue to be addressed. Effective governance is not a simple matter of one level of government (the Commonwealth or the states/territories) being allocated responsibility and accountability for housing policy. Nor is the simple formulation of less government (regulation) and more market going to work. In our view, the complexity of the issues involved, the significant impact of other ('non-housing') national policy settings on housing outcomes (especially fiscal, monetary and immigration policies) and the challenges mounting in our housing system make national leadership essential.⁸

5.12 Each level of government, Housing Tasmania argued, has a role to play in creating an environment conducive to the effective operation of the private housing market:

Different policy levers are available at each level of government to generate outcomes. The challenge to be met by all levels of government is identifying, agreeing and implementing policy levers that will encourage and support the private market to increase both general and affordable housing supply.⁹

6 Real Estate Institute of Australia, *Submission 88*, pp. 15–16.

7 Urban Development Institute of Australia, *Submission 190*, p. 7.

8 City Futures Research Centre, UNSW, *Submission 152*, p. 6.

9 Housing Tasmania, *Submission 217*, p. 2.

5.13 A common thread in the evidence this committee received was that the various levels of government needed to better coordinate their efforts in relation to housing issues. The UDIA pointed to a trend in recent years toward blame shifting across the various levels of government, with housing policy 'marked by the refusal of governments to acknowledge their role, and a tendency to try and defer that responsibility to someone else'.¹⁰ Similarly, the HIA told the committee of its frustration with:

...the fact that at various points along the continuum councils point to state governments, state governments point to the federal government and the federal government points to state government and local councils. The three levels of government do not seem to be working in concert.¹¹

5.14 HomeGround Services argued that the current lack of coordination and agreed outcomes between governments (as it saw it) meant the housing vulnerability of low income earners in Australia was not being properly addressed:

Governments at all levels need to work together on a clear set of agreed outcomes in order to realise secure housing for all Australians. The current system shows what happens when efforts are not coordinated. For example, the level of Commonwealth payments has a direct and significant impact on rental revenues in the social housing sector and represents a cost shift to the states. Similarly, the greater reliance on Commonwealth Rental Assistance for tenants in private rental over investment in social housing in Victoria represents a cost shift back to the Commonwealth government. Importantly, neither of these strategies address the underlying need for more and better housing for low income earners.¹²

5.15 The committee heard how effective action by one level of government was often contingent on clarity and certainty about what the other levels of government were doing. For instance, the Western Australian Local Government Association (WALGA) identified certain areas of reform that local governments might focus on to improve affordability outcomes, including land use planning strategies, the development of surplus or underutilised local government-owned land, and so on. Yet WALGA added:

Before progressing with any of these solutions, though, it is critical that local governments have a well-informed housing strategy. To do this, they need better access to data to identify local supply and demand issues; they need clarity about state and Commonwealth plans, policies and funding;

10 Urban Development Institute of Australia, *Submission 190*, pp. 7–8.

11 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 47.

12 HomeGround Services, *Submission 70*, p. 18.

and they need a commitment to supporting the outcomes from all levels of government.¹³

5.16 The Local Government of Association of Queensland (LGAQ) made a similar point. It argued that while there were many things that local governments could do to improve housing affordability, many local governments in Queensland simply did not have the fiscal capacity to bear the cost of some of these initiatives, particularly in rural, regional and remote areas. Furthermore, local governments often lacked the legislative or regulatory support 'to do more than encourage or advocate for increased affordability in housing in relation to many of the above identified initiatives'. As such, local government initiatives in Queensland were often dependent on support, including financial support, from the Commonwealth or the state government.¹⁴

5.17 The CFRC complained that since late 2009, COAG had not given adequate attention to a substantial housing reform agenda. It noted that the NAHA, which came into effect in 2009, was:

...intended to operate as a strategic framework for driving a long term partnership with the states on improving housing outcomes. However, in operation, the Commonwealth's influence appears to have been weakened by the new framework and its capacity to drive reform has not lived up to expectations so far.¹⁵

5.18 Given the broad consensus that all levels of government needed to work together to address housing affordability issues, several witnesses expressed concern that the current Australian Government appeared to be reducing (or positioning to reduce) its involvement in housing policy. For example, Dr Lucy Burgmann from the NSW Federation of Housing Associations said she was concerned the Commonwealth's interest in housing policy appeared to be waning, together with its 'appetite for involvement in the housing system as a funder or policy maker'. She expressed specific concern that there were some indications the current government would prefer to leave the housing system to the states or the market to deal with. Against this backdrop, Dr Burgmann told the committee that the Commonwealth:

...has a really important leadership role to play. Not a sole role to play, but a shared role with the states, with local government, with our industry and with other players. Because of the scale of the challenges around housing affordability, which we and others have called a housing affordability crisis, I think it requires us all to turn our attention to it rather than to leave it to others or to just one part of the system.¹⁶

13 Mrs Allison Hailes, Executive Manager, Planning and Community Development, Western Australian Local Government Association, *Proof Committee Hansard*, 11 November 2014, p. 42.

14 Local Government Association of Queensland, *Submission 196*, p. 5.

15 City Futures Research Centre, UNSW, *Submission 152*, p. 6.

16 Dr Lucy Burgmann, Chief Executive Officer, NSW Federation of Housing Associations, *Proof Committee Hansard*, 10 November 2014, p. 11.

5.19 Dr Burgmann added that the Commonwealth controlled many of the taxation levers that shaped the housing system (to the extent that a housing 'system' could be said to exist). Moreover, she added, in relation to providing affordable housing the Commonwealth was best placed to develop and implement 'creative financing mechanisms or guarantees that help trigger private investment, which might be the only way to lead to at-scale affordability'.¹⁷ Professor Beer also argued that:

...there is an ongoing need for some federal engagement with this issue because housing markets in this country operate not only at a state and territory jurisdictional level but also at a national level, and so national oversight is needed.¹⁸

5.20 Asked about the Commission of Audit's suggestion that the role of the Commonwealth in relation to housing policy and service delivery should be reduced, the Council for Homeless Persons responded:

The Commonwealth government holds all the demand drivers for housing at the moment: it holds income, it holds taxation, it holds banking regulation and it holds immigration, which are all key demand drivers, but it has a very limited role in supply. From a state government perspective, I do not think it is acceptable to have one side holding all the demand drivers and the other side expected to pick up the supply problem that is associated with those demands.¹⁹

5.21 Dr Heather Holst, Chief Executive Officer of HomeGround Services, endorsed this view, adding that she would be:

...very sad to see the federal government withdrawing; in fact, I think they need to take a step forward in this space.²⁰

5.22 Some submitted that the current government's apparent relative disinterest in housing policy simply represented more of the same, rather than a break from previous governments. In its submission, the CFRC bemoaned what it described as a lack of leadership and continuity of effort by the Commonwealth in housing policy over the last three decades. It also warned that Commonwealth policy capacity with regard to housing matters:

...has been largely eroded and there has been no long-standing administration dedicated to housing since the early 1990s—a situation

17 Dr Lucy Burgmann, Chief Executive Officer, NSW Federation of Housing Associations, *Proof Committee Hansard*, 10 November 2014, p. 12.

18 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 11.

19 Ms Sarah Toohey, Manager, Policy and Communications, Council to Homeless Persons, *Proof Committee Hansard*, 9 September 2014, p. 55.

20 Dr Heather Holst, Chief Executive Officer, HomeGround Services, *Proof Committee Hansard*, 9 September 2014, p. 55.

contrasting with arrangements in the US, Canada, the UK and much of Western Europe.²¹

5.23 It might be noted that the CFRC was no less critical in its assessment of state and local government approaches to housing policy in recent decades. It suggested that state governments:

...are (increasingly) starved of the resources necessary to run housing assistance programs effectively and the essential coupling of housing, urban and infrastructure policies that should drive new residential development has been largely absent. ... Recently, in a further narrowing of the state level housing policy agenda long standing housing departments have been absorbed into welfare departments in most jurisdictions (WA is a laudable exception) resulting in dilution of a broader housing policy outlook and expertise. Unlike in most advanced economies, local or city governments have very limited and poorly-defined roles in housing and lack the resources and capacity to influence local housing outcomes or to catalyse local responses and bottom up innovation.²²

5.24 Professor Hal Pawson from the CFRC also told the committee that Commonwealth leadership was necessary, given housing policy 'is a national issue that has national importance and is a cause for national action'.²³ He added:

As emphasised in our submission, we believe that all three levels of government have important housing responsibilities and powers. But we also believe that experience has shown that fundamental reforms of the type that we argue are needed cannot be achieved without national leadership from Canberra. Partly that is because some of the most significant government interventions in the housing market are controlled at the Federal level and not by the states and territories.

We recognise that there are complexities to the Commonwealth government's role in this kind of domestic policy area and that, under the federal system, Canberra's ability to impose housing reforms would be limited even under a government that wanted to do that. But we also think that it is not tenable to pretend that, under the Federation, the Commonwealth does not have a remit to lead and coordinate in this area.²⁴

5.25 Ms Maria Palumbo from the Community Housing Council of South Australia told the committee that she 'passionately' believed a national approach was needed to improve housing affordability, and the Commonwealth needed to lead that approach:

21 City Futures Research Centre, UNSW, *Submission 152*, p. 5.

22 City Futures Research Centre, UNSW, *Submission 152*, pp. 5–6.

23 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 34.

24 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 34.

When the Commonwealth drives reform, things happen; when it is left to the states, our experience has been that things meander.²⁵

5.26 Mr Simon Schrapel from Uniting Communities and Dr Alice Clark from Shelter SA endorsed these remarks, with both stressing the need for Commonwealth leadership in the housing policy space.²⁶ Mr Scott Langford from Junction and Women's Housing added his agreement to these arguments, adding:

If you consider that access to appropriate and affordable housing is really the backbone of both a civil society and a strong economy, I fail to see how any argument can stand up to suggest that this is not an issue of national importance. This is a huge opportunity for leadership, and we would expect that some of that would come from the federal level.²⁷

Commonwealth role in supply side policy

5.27 Despite arguing the need for intergovernmental cooperation on housing policy, DSS suggested that supply side issues were primarily a matter for the states and territories. The policy levers to address supply, it told the committee:

...sit primarily with the states and territories. The Commonwealth largely has the demand levers, such as taxation, environment, immigration and a whole range of other things... But supply issues, such as planning approvals, state taxation, housing infrastructure changes and land release, really fit in the state and territory domain.²⁸

5.28 While it was generally acknowledged that the policy levers affecting housing supply tend to reside with the states and territories (as discussed further in chapter seven), witnesses also noted that the Commonwealth could play a constructive role in this space. Noting the significant financial contribution the Commonwealth made in relation to housing—for instance, in CRA payments and money spent on residential aged care facilities—the HIA argued the Commonwealth's role:

...needs to be more than simply writing cheques. They need to take a role in assisting with state and local governments in the provisioning of the necessary infrastructure to support housing developments.²⁹

25 Ms Maria Palumbo, Chair, Community Housing Council of South Australia, *Proof Committee Hansard*, 28 July 2014, p. 40.

26 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 40; Dr Alice Clark, Executive Director, Shelter SA, *Proof Committee Hansard*, 28 July 2014, p. 40.

27 Mr Scott Langford, General Manager, Junction and Women's Housing, *Proof Committee Hansard*, 28 July 2014, p. 40.

28 Ms Felicity Hand, Deputy Secretary, Disabilities and Housing, Department of Social Services *Proof Committee Hansard*, 30 July 2014, p. 3.

29 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, pp. 45–46.

5.29 Similarly, when asked what role the Commonwealth might play in addressing inadequate housing supply in Australia, the UDIA responded that the Commonwealth had a 'clear role' to play in the provision of urban infrastructure, including infrastructure such as telecommunications, major roads, public transport and so on.³⁰ Both MBA and the UDIA also argued that the Commonwealth had an important coordination and leadership role to play in facilitating reforms on the supply-side of the housing affordability problem:

When we talk about planning systems being delayed, land supply and that sort of thing, they are not predominantly federal government issues. But I think there needs to be involvement of the federal government in planning for this, coordinating this and taking a strategic approach.³¹

State and territory spending on housing: accountability and transparency

5.30 Several witnesses suggested there was currently a lack of adequate accountability and transparency in how the states and territories used Commonwealth funding for housing policies and programs. In order to address the apparent need for 'greater accountability, greater openness and transparency',³² MBA suggested 'there needs to be tighter metrics in terms of conditions' around Commonwealth-state funding agreements.³³ JELD-WEN, meanwhile, contended there was a 'gaping lack of information' on the outcomes of state programs funded with Commonwealth money:

The paucity of readily available information on the effectiveness of Commonwealth-funded State housing programs and initiatives has reduced transparency and diminished accountability and contributed to uncertainty about the value received from the commitment of scarce Commonwealth taxpayer funds to joint housing programs delivered by State Governments.³⁴

5.31 Junction and Women's Housing told the committee that competition for Commonwealth payments might help promote greater transparency regarding state and territory spending on housing policy:

We would argue that there is some benefit in some directly-contestable funding for the community-housing sector. At the moment it is passed through the states, and how that is then distributed is largely left to the

30 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 66–67.

31 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 69; Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 40.

32 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 34.

33 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 41.

34 JELD-WEN Australia, *Submission 54*, p. 4.

states. The reporting of that is ambiguous, in terms of what is provided back to the Commonwealth. Competition is one way to foster transparency.³⁵

5.32 The National Council of Women of Australia told the committee that the Commonwealth should better target its spending to develop areas of particular need, and related this back to the need for better accountability:

I think too that if you came to an agreement with Commonwealth-state bodies, it makes it more accountable if you say, 'This is an area of need that you need to put this money into for redevelopment. Let's see what you do with it.' Quite often it can be scattered around, and there seems to be very little accountability in some cases about what the money is actually being spent on. You only have to look at the money supposedly spent in the Northern Territory on Aboriginal housing, which we know has fallen far short of any target, and very few houses have been built despite great aspirations about fixing the problem of 10 years ago. They were going to build 750 houses in the Northern Territory. I doubt they have built more than 75. Where has the money gone? Where is the accountability of this money, where the Commonwealth hands over the money and does not say, as with any good governance, 'What have you done with it? Show us where you spent it and we'll see if it is worthwhile giving you the next lot.' I think anyone who gives out money has a right to ask what it is being spent on.³⁶

5.33 Dr Winter also criticised the lack of requirements attached to how states and territories used Commonwealth funding provided under the NAHA:

The other component of the NAHA reform we need to take is to reintroduce and retie matching of funds. The current federal financial agreements whereby there is not a tying of the matching of the funds I think just leads to uncertainty on the federal government's part about where the funds are going and what the states' contributions to those things are. So I think some of that discipline of the old Commonwealth-State Housing Agreement needs to be in a new national formal housing agreement as well.³⁷

5.34 While some witnesses focused their attention on the apparent need for enhanced accountability regarding the expenditure of public funding on housing policies and programs, others referred to the burden associated with excessive reporting. Community Employers WA, for instance, warned against excessive reporting obligations, particularly in relation to the not-for-profit sector. It suggested that housing providers were often forced to respond to:

35 Mr Scott Langford, General Manager, Junction and Women's Housing, *Proof Committee Hansard*, 28 July 2014, p. 41.

36 Ms Margaret Findlater Smith, National Coordinator of Standing Committees, National Council of Women of Australia, *Proof Committee Hansard*, 30 July 2014, p. 57.

37 Dr Ian Winter, Executive Director, Australian Housing and Urban Research Institute Limited, *Proof Committee Hansard*, 9 September 2014, p. 20.

...excessive questioning of line item by line items on minor Grants comparing budgets to actual in instances where the overall spending is in line with the authorised amounts.

As part of the Committee's Inquiry, we would support a recommendation to continue focusing on how the overview and accountability mechanisms can be designed to minimise the extent and level of compliance. We would recommend that States and Territories, and recipients of funding grants, be empowered and encouraged to deliver Affordable Housing more efficiently without excessive reporting and red tape.³⁸

5.35 Housing Tasmania argued that public accountability was in fact already a key element of the current federal financial relations framework, including National Agreements and National Partnership Agreements related to housing and homelessness. The problem, according to Housing Tasmania, was not a lack of emphasis on accountability, but rather that:

...the performance frameworks were hastily conceived and while it has proved robust in some areas in others source data to measure performance has been problematic. In addition some concepts are difficult to operationalise into performance indicators such as social inclusion while other issues are notoriously difficult to measure accurately, for example counting homelessness.³⁹

The institutional architecture of housing policy

5.36 Given the importance of coordinated and integrated intergovernmental approaches to housing policy, some witnesses made the case for improving the institutional architecture of housing policy. Professor Jago Dodson from RMIT University explained why he thought this architecture was currently lacking:

We do not have a particularly coherent system of organising our housing policy in Australia. We have the federal government involved in various aspects through the [Australian Taxation Office], the Treasury, the RBA, the DSS and other agencies. We have state planning and housing agencies involved in housing processes and we have a raft of local governments that deal with housing considerations in various ways, including in relation to planning. We lack a systematic way of coordinating all the policy settings at those different levels of our governance system in a way that can work coherently and with coordination towards social objectives that we as an overall society might have set.

That means not only that our policy architecture is weak and fragmented but also that it is interfacing with quite a complex economic system around the supply of housing. If you take the finance sector, the building sector, the construction sector and the planning sector, they all have their own

38 Community Employers WA, *Submission 46*, p. 2.

39 Housing Tasmania, *Submission 217*, p. 12.

subsystem arrangements that also face problems of coordination in responding to market processes.⁴⁰

5.37 There was broad support from a wide range of witnesses for re-establishing the NHSC, or a body like it. Some submitters also noted the need to better represent and progress housing policy matters at COAG, and argued for re-establishing a COAG ministerial council on housing and homelessness. These arguments are outlined below.

National Housing Supply Council (NHSC)

5.38 The NHSC was established in May 2008 to 'monitor housing demand, supply and affordability in Australia, and to highlight current and potential future gaps between housing supply and demand from would-be home-owners and renters'. The NHSC's role was to aggregate and assess data on housing supply and demand, and thereby strengthen the evidence base for decision making by all levels of government. It also provided advice and recommendations on options and strategies to improve housing supply and affordability. A key task of the NHSC was the preparation of an annual State of Supply Report, which examined housing supply over a 20-year horizon, with the intent of providing information that would help government and industry improve supply.⁴¹

5.39 The NHSC consisted of a chair and eleven members, with appointments made by the Minister for Housing in consultation with the Treasurer. Members had expertise in areas relating to the housing sector, and sector representation sought to encompass the housing, property and construction industry, planning and development, infrastructure provision and financing, social welfare and community housing, banking and finance, and housing research.⁴²

5.40 The NHSC was abolished on 8 November 2013, along with a number of other non-statutory bodies. The functions of these bodies, according to the government, were no longer needed and could be managed within existing departmental

40 Professor Jago Dodson, Professor of Urban Policy, RMIT University, *Proof Committee Hansard*, 9 September 2014, p. 13.

41 National Housing Supply Council, *State of Supply Report* (2008), p. xii. The NHSC's terms of reference were amended in 2012, the most important change being that it was directed to examine the implications for housing supply of urban planning and infrastructure development processes, including transport and telecommunications services. For the updated terms of reference, see National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13* (2013), http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx, pp. 131–133.

42 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13* (2013), http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx, p. 133.

resources.⁴³ A statement from the Prime Minister also indicated that many of these non-statutory bodies:

...have outlived their original purpose or are not focused on the Government's policy priorities. As a result, their work is best carried out by the relevant government departments or agencies.

Ministers will continue to receive advice from a broad range of sources including industry and community stakeholders, relevant departments and from Ministerial Advisory Councils.⁴⁴

5.41 However, the ministerial council on housing and homelessness was abolished one month after the abolition of the NHSC, and the evidence received by the committee would suggest that the NHSC's functions have not been absorbed into Treasury. Indeed, Treasury acknowledged that with the NHSC disbanded, 'there is no vehicle through which [Treasury] would then have responsibility to assist the government' in relation to policy advice on housing supply.⁴⁵

5.42 Asked about the importance of the work that was being done by the NHSC (of which she was a member), Associate Professor Yates explained that it:

...coordinated information across all the states and territories. It tried to standardise the source of that information. It put it together in one spot. It was an independent source. The Housing Industry Association, for example, has tried to replicate that, and that is a fair enough thing, but there are vested interests, whereas the council was a representative body across a whole range of stakeholders—developers, planners, local government people, economists, finance people and housing policy people. So you had a spectrum of interests—a coordination of information; the bringing together of a wide range of stakeholders.⁴⁶

5.43 Professor Beer spoke highly of the work that was being done by the NHSC, and said that the academic community 'really relied on the solid data that they put out'. He also suggested that the housing industry itself needs a forecasting body to be able to assess likely demand.⁴⁷ Professor Pawson submitted that the abolition of the NHSC had damaged the Commonwealth's leadership capacity in housing policy, along with

43 Treasury, *National Housing Supply Council*, <http://www.treasury.gov.au/Policy-Topics/PeopleAndSociety/completed-programs-initiatives/NHSC>.

44 The Hon Tony Abbott MP, Prime Minister, 'Boosting Productivity and Delivering Effective, Efficient Government', 8 November 2013, http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/2829445/upload_binary/2829445.pdf;fileType=application%2Fpdf#search=%22media/pressrel/2829445%22.

45 Mr Rob Heferen, Executive Director, Revenue Group, The Treasury, *Proof Committee Hansard*, 30 July 2014, p. 18.

46 Honorary Associate Professor Judith Yates, University of Sydney's Senior Visiting Fellow, *Proof Committee Hansard*, 10 November 2014, p. 39.

47 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 11.

the 'scope for evidence based policies'.⁴⁸ Similarly, Shelter SA stressed the need for a strong evidence base on which to make informed policy decisions, and argued that in this sense the NHSC was 'an absolutely vital organisation that cost practically nothing, if anything, to government'.⁴⁹

5.44 Junction and Women's Housing agreed that the work being done by the NHSC was very valuable, telling the committee that it had:

...found it to be a very useful source of information for starting to understand where the supply issues are and what the dynamics in the broader market are, at a macro level, and how that affects our local markets. This has a significant role for us in terms of where we put our resources and energy and where we see the opportunities to bring in private-sector investment.⁵⁰

5.45 The CFRC also submitted that the NHSC had been providing 'much needed specialist advice and information on critical housing supply issues to governments and the housing industry'. It noted that the 'the over-riding need for a regular and authoritative Australia-wide housing demand and supply analysis remains undiminished'.⁵¹ For its part, the UDIA suggested that prior to the existence of the NHSC:

...states kept various pieces of data in relation to housing, housing supply and the like, but it was all different and very difficult to compare. It was very much apples and oranges. The Housing Supply Council was able to pull together a methodology in consultation with the various states to ensure that we had a better and more consistent view of what was happening in relation to housing policy and housing supply around the country.⁵²

5.46 The HIA was somewhat more critical in its assessment of the NHSC. It told the committee that while the NHSC had 'started off on the correct foot' in looking at the housing supply chain, it:

...became a little bit waylaid and got involved in a lot more policy development work and seemed to lose a lot of its initial terms of reference. We therefore supported the Housing Supply Council being abolished but believed that it should be replaced by something that would do the task that it was initially set out for it to do—something along the lines of an

48 Professor Hal Pawson, Associate Director, City Futures Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 November 2014, p. 34.

49 Dr Alice Clark, Executive Director, Shelter SA, *Proof Committee Hansard*, 28 July 2014, p. 41.

50 Mr Scott Langford, General Manager, Junction and Women's Housing, *Proof Committee Hansard*, 28 July 2014, pp. 41–42.

51 City Futures Research Centre, UNSW, *Submission 152*, p. 7.

52 Mr Liam Foley, Policy Officer, Urban Development Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 70; Mr Richard Lindsay, Chief Executive Officer, Urban Development Institute of Australia (National), *Proof Committee Hansard*, 30 July 2014, p. 70.

indicative planning council. It would be something where we would have a much better understanding of where our future housing was going to be, what the time lines for bringing those houses to market—whether or not they were detached houses, multi residential or high-rise apartments; having a much better understanding of where they would go and what the time lines for the delivery would be. That would allow the industry and also the various governments to better understand the best investment in infrastructure and other support systems that were necessary to bring those houses to market, and we could better marry the demand side with the supply side.⁵³

COAG ministerial council on housing and homelessness

5.47 Asked about the abolition of the COAG Select Council on Housing and Homelessness, MBA responded that there was a need for:

...some sort of high-level institutional mechanism whereby these sorts of difficult issues and public policies can be discussed. We would argue that housing should be one of the top agendas for any government, regardless of its political persuasion, because the complexity of the problems need fixing and therefore it should not operate in an institutional vacuum. A body like that, and perhaps a reinvigorated COAG process, is obviously something that we would ask for.⁵⁴

5.48 The CFRC also expressed concern that the ministerial council had been disbanded, noting the important role it had played in coordinating and driving 'essential cross jurisdiction reforms to housing and homelessness programs'.⁵⁵

5.49 At the same time, the committee heard evidence that the COAG system was not conducive to receiving potentially valuable input from non-governmental sources. For instance, Ms Palumbo argued that COAG might gain a broader view of housing issues if, instead of simply drawing on the advice of officials and ministerial advisers:

...there were a different advisory structure—I would say there are peak bodies that should be involved; there are industry bodies that should be involved. There should be a way of having a diverse voice, where ministers are not just hearing from their key advisers, they are actually hearing from the whole community. What tends to happen is that when there is a representative from, say, the community sector there is a view that that individual might be self-serving and they are only representing their agency views and there is not a voice. It is about broadly representing the whole group rather than an individual getting at a table and then pushing their agency's views ahead of broader views. There needs to be a way of having a

53 Mr Graham Wolfe, Chief Executive, Industry Policy and Media Relations, Housing Industry Association, *Proof Committee Hansard*, 30 July 2014, p. 46.

54 Mr Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia Ltd, *Proof Committee Hansard*, 30 July 2014, p. 39.

55 City Futures Research Centre, UNSW, *Submission 152*, p. 7.

much broader conversation so that there are shared views as opposed to that real separation.⁵⁶

5.50 Uniting Communities endorsed Ms Palumbo's comments, and added:

The problem is the COAG process is kept within governments talking to each other. In just about every one of these domains, but certainly in [housing policy], you have significant players with interests, not just self-interest, who can make quite significant contributions to the debates and the solutions. We do not engage those. Having separate advisory boards or councils to ministers and then having the COAG process operating in some other domain over here is not an effective way of developing good public-policy solutions. You need to marry them in some way.⁵⁷

The need for a national affordable housing plan

5.51 Given the complexity of housing policy and its inter-governmental dimensions, a large number of submitters made a case for developing and implementing a national plan for improving the supply of designated affordable housing or housing affordability more broadly (or both). For instance, arguing that the current institutional environment for housing policy was lacking in coherence and allowed for 'all sorts of unintended side-effects and dysfunction', housing researchers from Swinburne University wrote that Australia required 'a national urban and housing policy to set a clear direction as to what we want from our urban form and associated housing system.'⁵⁸

5.52 Ms Jacqueline Phillips from ACOSS told the committee that a national affordable housing strategy would recognise the complex policy levers across the various levels of government that influence housing affordability. She suggested that ideally a strategy would be developed through COAG or other intergovernmental discussions.⁵⁹

5.53 The UDIA noted that a national strategic plan on housing affordability was needed, in part because the interests of the Commonwealth and the states did not always coincide, leading to policy inconsistencies. Specifically, whereas the Commonwealth has some incentive to facilitate population growth because of the benefits to tax revenue, the states have an incentive to resist growth because they bear the brunt of the infrastructure and service costs. It recommended that the Commonwealth and states:

56 Ms Maria Palumbo, Chair, Community Housing Council of South Australia, *Proof Committee Hansard*, 28 July 2014, p. 42.

57 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 42.

58 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 1.

59 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service, *Proof Committee Hansard*, 10 November 2014, pp. 27–28.

...collaborate to establish a national strategic plan, providing funding for new urban infrastructure, and requiring cities to maintain a rolling supply of development-ready land to meet demand driven by population growth.⁶⁰

5.54 The ABA also argued that a national housing affordability strategy was needed to address the complex supply and demand factors shaping the market:

A national plan should contain a holistic approach based on a better understanding of the motivations for home ownership by individuals, families and communities, the incentives and disincentives for home ownership during changing market and economic conditions, the barriers to home ownership across different cohorts and geographical areas, the lessons learned from policies, interventions and assistance programs designed to encourage home ownership, and the potential responses which could better integrate public and private sector initiatives, and in partnership.⁶¹

5.55 MBA called for all levels of government to work together to develop what it termed a 'National Housing Affordability Agenda'. Such an agenda, as envisaged by MBA, would include targeted reforms and agreed outcomes directed to improving the supply-side efficiency of the Australian housing market, the area MBA suggested was most in need of attention if Australia were to improve housing affordability.⁶²

5.56 MBA also recommended that the Commonwealth provide 'competitive, efficiency dividend' payments to states, territories and local governments for delivering certain housing affordability policy outcomes. Reflecting MBA's emphasis on the need for a 'supply-side first' response to declining housing affordability, the outcomes MBA suggested might be tied to such payments related to improving land release, streamlined and more efficient planning and approval processes, and reforms to infrastructure (or 'developer') charges.⁶³

5.57 Over the course of the inquiry, the committee heard from a number of local governments about the steps they had taken and the strategies they were implementing on housing (including strategies specific to the supply of affordable housing). For instance, Brimbank City Council provided the committee with information on its ten-year housing strategy, *Home and housed*. Like other local governments, Brimbank City Council noted that while it was addressing housing affordability through local strategies, ultimately a national level strategy was needed:

Liveable homes, neighbourhoods and cities can only be the product of purposeful, housing and planning policies coordinated across all three levels of government to create the conditions for affordable and appropriate housing. A long term, national housing plan that supports and gives

60 Urban Development Institute of Australia, *Submission 190*, pp. 5, 9–10.

61 Australian Bankers' Association, *Submission 197*, p. 1.

62 Master Builders Australia, *Submission 48*, p. 6.

63 Master Builders Australia, *Submission 48*, pp. 12–13.

direction to housing development, particularly in Australia's capital cities, is required to support the creation of multi-level partnerships to this end.⁶⁴

5.58 NT Shelter argued that a 'genuine national housing policy' would help policymakers and service providers overcome the confusion and fragmentation that often confounded housing policy.⁶⁵ Housing Tasmania, meanwhile, suggested that a national housing policy would encourage intergovernmental cooperation to address housing issues within a 'whole-of-system housing policy framework'. This would, in turn, contribute to 'better housing outcomes for all Australians'.⁶⁶ The LGAQ also argued for a national housing policy on the grounds that the 'complex issues concerning the provision of affordable housing, together with the multiple components of "affordable housing" mean that a fully integrated approach is needed to deliver successful solutions'.⁶⁷

5.59 The Housing and Local Government Network, a grouping of local governments in Victoria 'working to promote and support the increase supply of affordable housing', was critical of existing policy settings. It argued that current intergovernmental funding arrangements, such as the NAHA, left local councils in the position of second guessing the direction of Commonwealth and state housing policies. It called for:

...a significant overhaul of the current narrow, inflexible and bureaucratic [NAHA] towards a mutually agreed and integrated intergovernmental governance instrument based on an authentic spirit of good will and with local government as an equal partner.⁶⁸

5.60 In its submission, the CFRC set out what it considered the attributes of successful international policy responses to housing affordability issues similar to those facing Australia. The committee believes the attributes outlined by CFRC are well considered, and as they might help inform the development of a national housing affordability plan, considers them worth reproducing in full here. They are:

- A view of housing as being an integral part of economic, social and environmental policy
- Sufficient housing expertise both within and connected to government, which is committed to building policies and relevant institutions to deliver desired housing outcomes
- A long term commitment to achieving desired housing outcomes, in which government plays an assertive and important role in a constructive partnership with all relevant public and private agencies

64 Brimbank City Council, *Submission 193*, p. 2.

65 NT Shelter, *Submission 118*, p. 13.

66 Housing Tasmania, *Submission 217*, p. 17.

67 Local Government Association of Queensland, *Submission 196*, p. 5.

68 City of Darebin, *Submission 123*, p. 3.

- Progressive development of a modern institutional framework for delivering government desired housing outcomes using a well-designed mix of market and non-market mechanisms
- A climate and practice where diversity, flexibility and local innovation can flourish without leading to the abandonment of appropriate national policy responsibilities and the efficient allocation of subsidies according to need
- Comprehensive and up-to-date market analysis and policy oriented evaluation strategies that can help to ensure the efforts of government are effective, responsive and appropriate
- The adoption of balanced multi-tenure policies with a common focus on increasing affordable and sustainable housing options, improving tenure choice and pathways and supporting socially mixed communities.⁶⁹

5.61 JELD-WEN, departing somewhat from the general consensus that a national strategy was needed, cautioned that any attempt by the Commonwealth to impose a national plan for housing supply might prove counterproductive:

The temptation to pursue a centralised, prescriptive national planning strategy should be avoided. Instead, the Commonwealth should aim to work co-operatively with State, Territory and Local Governments but with clear lines of responsibility, supported by a new structure of financial rewards and incentives tied to performance milestones, similar in approach to the previous National Competition Payments. This approach offers the prospect of achieving better and more durable outcomes.⁷⁰

Committee view

5.62 Evidence received by this committee underlined the fact that many of the key policy levers that shape the Australian housing market and housing affordability rest with the Commonwealth. In particular, demand-side levers such as taxation policy generally reside with the Commonwealth. Although many supply-side policy levers fall within the remit of the states and territories, the committee remains firmly of the view that the Commonwealth is best placed to provide the leadership to coordinate and guide the cross-jurisdictional reform necessary to improve the efficiency of housing supply across Australia. As will be discussed further in subsequent chapters, the committee also believes the Commonwealth has a central role to play in driving the development of new affordable housing stock, whether through programs such as NRAS or other mechanisms.

5.63 The committee welcomes the review of housing and homelessness policy responsibilities being undertaken as part of the Federation White Paper process, and notes that as part of the process the government has released an issues paper, *Roles*

69 City Futures Research Centre, UNSW, *Submission 152*, p. 10.

70 JELD-WEN Australia, *Submission 54*, p. 1.

and Responsibilities in Housing and Homelessness (December 2014). The committee anticipates the release of the Federation White Paper later this year will prompt renewed public discussion about how optimal housing and homelessness outcomes can be achieved within our federal system. It is the committee's hope that the White Paper will recognise the important role the Commonwealth has to play in this policy space, and the imperative for intergovernmental coordination and cooperation. The committee also hopes that the White Paper will serve as a foundation for a renewed bipartisan commitment at the Commonwealth level to tackle the problem of housing affordability and the shortage of affordable housing in Australia.

5.64 The need for and potential value of a long-term, national affordable housing plan was made clear throughout the inquiry. The committee believes a national affordable housing plan should be developed through an appropriate intergovernmental forum, with substantive input from the community housing sector, stakeholders in the housing industry and third sector representatives. This plan would provide the direction and certainty needed to ensure housing affordability improves and the supply of affordable housing is better matched to housing need. A national affordable housing plan could potentially sit under the umbrella of the NAHA. However, the committee believes the Commonwealth and states and territories, through COAG, are best placed to determine if this would be help or hinder the implementation of such a plan.

Recommendation 2

5.65 The committee recommends that, as a matter of priority, the Commonwealth and states and territories agree to establish a ministerial council on housing and homelessness within the Council of Australian Governments ministerial council system.

Recommendation 3

5.66 The committee recommends the establishment of a new body, ideally a statutory body, similar in function to the former National Housing Supply Council, but also with responsibility for monitoring performance against a new affordable housing plan (see recommendation 4) and measuring housing need according to key demographic trends, socio-economic and cultural factors.

Recommendation 4

5.67 The committee recommends that the Commonwealth and states and territories collaborate in the development of a long term, national affordable housing plan, ideally to be developed through a new ministerial council on housing and homelessness within the Council of Australian Governments ministerial council system (see recommendation 2). While the shape of the plan and its relationship to the National Affordable Housing Agreement would be determined through the development process, the committee recommends that the plan:

- (a) include performance indicators, which should be monitored and reported on by the body recommended at recommendation 3; and**
- (b) include base funding, possibly drawn from the National Affordable Housing Agreement funding envelope, with consideration also given to including Commonwealth reward payments linked to achievement by individual jurisdictions against the performance indicators.**