

2011

**THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

**GOVERNMENT SUBMISSION TO THE STANDING COMMITTEE
ON PUBLIC ACCOUNTS**

**AUDITOR-GENERAL'S REPORT NO 2 OF 2011: RESIDENTIAL
LAND SUPPLY AND DEVELOPMENT**

Authorised for publication

20.10.11

**Presented by
Andrew Barr MLA
Minister for Economic Development**

GOVERNMENT SUBMISSION TO THE AUDITOR-GENERAL'S REPORT No. 2/2011: RESIDENTIAL LAND SUPPLY AND DEVELOPMENT

The Auditor-General has prepared a report providing an independent opinion on the effectiveness of the ACT Government's processes for supplying and developing land for residential release, and for implementing Government objectives relating to residential land release. The report considers:

- planning processes for the supply and release of residential land;
- the processes for delivering the ACT Indicative Land Release Program, including managing targets and timeframes; and
- delivery of financial, social and environmental objectives for the residential land development programs.

The following comments reflect the ACT Government's submission to the recommendations contained in the final Report. Where appropriate, the Government's submission includes references to the relevant newly created Directorates, rather than the Agencies identified in the recommendations.

Recommendation 1

ACT Government agencies, including LAPS, the LDA and ACTPLA, should further develop formal governance documents, e.g. Memoranda of Understanding, to clearly outline roles, responsibilities and accountabilities for the land supply and development process.

Government Position - Agreed

The Government response to the Hawke Review indicates its commitment to better coordination of roles and responsibility across Government agencies. In particular, new governance arrangements relating to the development of land in the Territory have been formalised through the creation of the Economic Development Directorate (EDD), (a Directorate which incorporates the functions of the previous Department of Land and Property Services, in addition to other functions).

Further development of governance arrangements and clarification of roles will continue through the new governance arrangements of the Strategic Board and the Chief Executives' Steering Group on Land Supply, taking into account the new administrative arrangements. Clarification of responsibilities will be formalised through a memorandum of understanding between the relevant Directorates.

Recommendation 2

LAPS should disseminate relevant information associated with various inter-agency governance committees and working groups to agencies to increase awareness of the roles of these groups. This could include:

- (a) articulating clear processes on how the groups should work together and coordinate issues for review, consideration and decision; and
- (b) clarifying the authority, if any, of the committees to make decisions on various land development and planning matters.

Government Position - Agreed

The Government will continue through the Economic Development Directorate to circulate to relevant Directorates the agreed terms of reference, roles, and process that support the land development committee structure, including clarifying any uncertainties as a result of the structural changes leading to the establishment of the Directorates.

Recommendation 3

LAPS should publish detailed information on the ACT Government land development and supply strategy, including the factors considered and assumptions made in developing future land release programs. Such information should lead to better understanding by ACT Government agencies and public stakeholders, such as the community, developers and builders, of the decision making process.

Government Position - Agreed

The 2011/12 Budget released by the Government contains detailed information relating to the Land Release Program, including relevant assumptions and projections.

Recommendation 4

LAPS should develop a more rigorous model to assist in assessing future residential land release targets under the Indicative Land Release Program. The model should identify the underlying factors impacting demand and supply of residential land, compiling and analysing relevant data to better inform the decision-making process.

Government Position – Agreed

The Economic Development Directorate (EDD) considers forecasts by the Australian Bureau of Statistics and other public and private authorities, undertakes demographic analysis, including material prepared by the ACT demographer, monitors dwelling supply, price movement, and other leading indicators, and seeks regular advice from

private sector stakeholders and local industry experts as input into determining demand for residential land.

All the information is collated and analysed through a model. This model is regularly reviewed and refined, and this process will continue.

The Government is also mindful of the many volatile demand drivers for housing experienced in the Territory over recent years resulting from exogenous factors such as the Commonwealth Budget and recruitment policies, the Global Financial Crisis, first home owners' assistance, and net immigration. Given that current levels of demand are running at almost twice the level of long term underlying demand, the Government notes that any model to determine future land release targets will always require the exercise of professional judgement in consideration of these factors.

EDD will continue to refine its demographic model and is working closely with the ACT Planning and Land Authority to identify and track a series of leading market indicators. Acceptable ranges and benchmarks will be developed to be used to monitor the property market and land releases.

Recommendation 5

In accordance with *Affordable Housing Action Plan*, LAPS in conjunction with ACTPLA, should develop more robust mechanisms for compiling and monitoring the developers' and builders' pipelines.

Government Position - Agreed

The Government will continue to work through the Directorates of Economic Development, and Environment and Sustainable Development to develop a robust mechanism for monitoring the Developers' and Builders' Pipelines.

Work has already commenced to implement such mechanisms in line with the recommendations of the *Affordable Housing Action Plan*. As of March 2011, EDD has commenced the publication of the Residential Land and Building Activity Report. This report includes the monitoring of the Builders' and Developers' Pipelines, land and property sales volumes and average prices. The Pipelines have been compiled by a range of sources of information including ABS statistics, data from the ACT Planning and Land Authority (ACTPLA), consultants reports, private sector developers and analysis of aerial photography to monitor the status of land servicing and dwelling construction.

The on-going development of the eDevelopment platform by ACTPLA, which facilitates online development and building applications, will contribute to reporting for the Developers' and Builders' Pipeline through collection of data electronically. The data warehouse project, managed by ACTPLA, will further enable the aggregation of data from across the Authority, and enable a much greater capacity to analyse and report on activity and trends.

Recommendation 6

The LDA should identify and report against better defined and additional measures for land release, which include the supply of shovel-ready blocks within LDA and joint venture estates.

Government Position – Agreed

The number of dwelling sites available for construction is monitored in the Residential Land and Building Activity Report, a report prepared by the Economic Development Directorate. It includes the status of land servicing, dwelling construction and land availability within Land Development Agency and private sector estates. This report will be updated on a quarterly basis. The release of land within LDA and Joint venture estates is tracked in terms of sites being offered to the market, sites sold to the market and sites settled. The report will be published quarterly.

Recommendation 7

The LDA should include additional financial indicators in its Statement of Intent, to improve accountability regarding the various methods of delivery for land releases. Financial indicators should be developed and reported separately for LDA estates, joint ventures and englobo sales.

Government Position – Agreed

Financial indicators are being developed and appropriate information will be provided in the Land Development Agency's annual report.

Recommendation 8

LAPS should advise the Government on an appropriate agency to assume responsibility for managing the valuation process and determining the appropriate value of land that is supplied to the LDA, to increase transparency in financial achievements reported by the LDA.

Government Position – Agreed

The Government agrees that an improved process for determining an appropriate valuation of land will be developed by the Economic Development Directorate in conjunction with Treasury. The Government notes the process utilised by the LDA was compliant with agreements between the LDA, and the then Department of Territory and Municipal Services at the time of the Audit.

Recommendation 9

In accordance with the *Affordable Housing Action Plan*, LAPS in conjunction with the LDA, should seek to independently benchmark the LDA's land development costs on a regular and ongoing basis.

Government Position – Agreed

It is agreed that it would be highly beneficial to conduct benchmarking of the costs associated with the various forms of land development by the Government. In particular, it is important to understand the relative costs of joint venture development in comparison to Land Development Agency (LDA) releases, or englobo development. To this end, the Government has tasked the Economic Development Directorate to coordinate a benchmarking exercise.

The Government notes that the majority of the LDA's land development costs at the time of the Auditor-General's report arose from contracts with private sector suppliers that were established through competitive tender processes conducted in accordance with the *Government Procurement Act 2001*.

Recommendation 10

ACT Government agencies should translate AHAP initiatives, which are principle-based into specific, clear and measurable targets within agencies' Statements of Performance or equivalent, and report against these on an annual basis.

Government Position – Agreed

The ACT *Affordable Housing Action Plan* includes 84 initiatives, comprising a mix of recommendations that represent both principle-based and targeted outcomes. At May 2011, 61 of these were already implemented, with a further 20 in the process of implementation. The Government agrees to ask the relevant Directorates to review the recommendations relating to their operations, in order to translate the recommendations into more specific and measurable targets where appropriate. In addition, specific accountabilities indicators relating to affordable housing and land release have been determined as part of the 2011/12 ACT Budget process.

Recommendation 11

ACT Government agencies should, pending the outcomes of the Government review of the Land Rent Scheme, develop additional processes and procedures to address the identified risks.

Government Position – Noted

The Government supports improvement in processes and procedure in implementing

policy as a general principle. With regard to the risks identified by the Audit, the Government notes that analysis of the benefits, risks and costs of the Land Rent Scheme was not within the scope of this Audit. As such, Audit's identification of risks has not viewed those risks in the context of the benefits of the policy. A number of those issues were considered in the design of the Scheme's policy.

A two-year post implementation review of the Land Rent Scheme was included in the original policy. This review is close to completion with significant input from the Economic Development Directorate, the ACT Planning and Land Authority, the Land Development Agency, the Canberra Institute of Technology, and the ACT Revenue Office. It is anticipated that a range of improvements will follow from this review, while maintaining the primary focus of the Scheme to support affordable home ownership.

Recommendation 12

The LDA should develop appropriate performance indicators for its environment and sustainability objectives and priorities in accordance with the LDA's Environmental and Sustainability Framework. These indicators should be specific and measurable, and should be incorporated within its Statement of Intent.

Government Position – Agreed

The Economic Development Directorate is in the process of incorporating such measures, including additional environment and sustainability priorities as part of the revised Land Development Agency (LDA) Statement of Intent. New performance indicators for the LDA have also been included in the 2011/12 Statement of Intent and further measures will be developed for inclusion in future years.

Recommendation 13

The LDA should, as part of its ongoing monitoring and reporting process, such as monthly Board reports and budget analysis reviews, routinely consider and report on achievements against non-financial indicators, including environmental and sustainability initiatives and objectives.

Government Position – Agreed

The Land Development Agency regularly monitors and reports on achievements against a number of non-financial indicators in monthly Board and other reports. The Government agrees that this reporting will be expanded to include further indicators developed in accordance with the recommendation. The Land Development Agency will be assisted by the Economic Development Directorate in identifying any relevant additional measures and including them in future Statements of Intent.

