ACT Government

STANDING COMMITTEE ON PUBLIC ACCOUNTS' REVIEW OF THE AUDITOR-GENERAL'S REPORT NO. 2 OF 2011: RESIDENTIAL LAND SUPPLY AND DEVELOPMENT

Government Response

Presented by
Andrew Barr MLA
Minister for Economic Development
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Introduction

The ACT Government welcomes the Standing Committee on Public Accounts' report reviewing the Auditor-General's Report No. 2 of 2011: *Residential Land Supply and Development*.

Since 2011, the Government has made substantial efforts to improve land supply processes in the Territory, following on from both the above Auditor-General's report and the Hawke Review of the ACT Public Service.

Both the Auditor-General and Dr Allan Hawke called for better coordination of roles and responsibilities across the Government in relation to land development and planning. The subsequent establishment of the Economic Development Directorate (EDD) - incorporating the Land Development Agency (LDA) - and the Environment and Sustainable Development Directorate (ESDD), and the development of memoranda of understanding to guide the working relationships of the three organisations has responded to those concerns.

The ACT Government is committed to improving land supply processes to support the economic and social development of the Territory. Meeting the strong demand for residential land in the Territory, and providing more affordable housing options for all Canberrans will continue to be a key priority for the Government in the future.

RECOMMENDATION 1

The Committee recommends that the ACT Government simplify the arrangements and the number of agencies involved in the delivery of land in the ACT.

Government Position – Agreed

A Memorandum of Understanding between the Directors-General of Economic Development Directorate (EDD) and the Environment and Sustainable Development Directorate (ESDD) was signed on 24 February 2012.

Following the Government's agreement to new governance arrangements for EDD in July 2011, a Statement of Governance Arrangements for the Land Development Agency (LDA), an Annual Statement of Government Policy, and a Memorandum of Understanding between EDD and LDA were finalised.

These new arrangements have simplified responsibilities between EDD, the LDA, and ESDD and have reduced duplication of work.

RECOMMENDATION 2

The Committee recommends, to the extent that work is not already taking place, that the Land Development Agency make available better defined land release targets and measures that provide more accurate information on the status of land release and supply of 'shovel-ready' land for building activity.

Government Position - Agreed

The annual Land Release Program publication now includes commentary on demand drivers and the rationale behind the land release targets, including analysis of property market conditions. EDD also publishes (on a quarterly basis) a Residential Land and Building Activity Report which details the supply of land and dwellings within the land servicing and dwelling construction process.

RECOMMENDATION 3

The Committee recommends that the ACT Government establish a land bank with a minimum of 2,000 'shovel-ready' blocks of various sizes to be available at all times.

Government Position – Agreed-in-part

While the ACT Government is committed to establishing an inventory of serviced land, further work is required to determine the level at which this inventory should be maintained.

Preliminary analysis suggests that a much smaller inventory than that suggested by the committee would be appropriate given the costs associated with establishing and maintaining this inventory.

RECOMMENDATION 4

The Committee recommends that the ACT Government ensure that the Land Development Agency establish quarterly targets for over the-counter sales and report quarterly to the ACT Legislative Assembly on these sales.

Government Position - Not Agreed

Targets for land release are currently set out through annual Indicative Land Release Programs. However, in the interest of maintaining flexibility and a capacity to respond to changing market conditions and other factors beyond the ACT Government's control (such as Commonwealth environmental clearance processes), it is the Government's intention to move to a four-year rolling program, with six-monthly reviews.

Land is released to market through englobo and private sector releases, through joint ventures and via LDA estates. In recent years, LDA estates have generally been released through ballots and by auction, however, there have also been instances where over the counter sales have occurred. As the LDA begins to establish an inventory of serviced land, over the counter sales are likely to become more common. However, and again in the interest of maintaining flexibility, the Government does not support establishing and reporting against a target for these sales.

RECOMMENDATION 5

The Committee recommends that, in accordance with the Affordable Housing Action Plan, the ACT Government conduct regular over-the-counter sales for blocks from Land Development Agency estates.

Government Position - Agreed

Where possible, the LDA is already conducting over-the-counter sales.

RECOMMENDATION 6

The Committee recommends, to the extent that work has not already taken place, that the ACT Government ensure that the Land Development Agency's Statement of Intent is appropriately amended to establish and report against financial KPIs that cover the Land Development Agency's specific performance and achievements.

Government Position - Agreed in-principle

As noted in the Government response, additional financial indicators around the different methods of land release (i.e. LDA's own estates, joint ventures and englobo land sales) were incorporated in the LDA's 2011-12 Annual Report.

The inclusion of further financial indicators in the Statement of Intent (SOI) will be considered in the context of the development 2013-14 SOI.

RECOMMENDATION 7

The Committee recommends that the ACT Government ensure that the Land Development Agency establishes a robust independent process to benchmarking its development costs as required by the Affordable Housing Action Plan.

Government Position – Agreed

The LDA now regularly incorporates latest benchmark data into Project Business Plans for all major land estates. Independent cost estimates are sought prior to procuring significant civil works. Benchmark data is also gathered from both LDA completed estates, Joint

Venture projects and intelligence gathered from industry networks through the Government Land Organisations. All procurements are undertaken in accordance with the Procurement Act which requires open and competitive processes to ensure best value for money.

RECOMMENDATION 8

The Committee recommends that the ACT Government table in the ACT Legislative Assembly by the last sitting day in August 2012, the review of the Land Rent Scheme by the University of New South Wales.

Government Position – Agreed

The University of New South Wales report has been placed on the Treasury website.

RECOMMENDATION 9

The Committee recommends that the ACT Government should conduct a two-year post implementation review of the taxation reform measure—phasing out of conveyance duty. This should specifically consider the impact of this principal reform measure and associated measures on residential land supply and development.

Government Position - Noted

The phasing out of conveyance duty is a 20 year reform. The 2012-13 Budget only contained the conveyance duty rates and thresholds for the first five years of reform.

The reform will be undertaken slowly. Reducing the tax rates gradually over a longer timeframe will minimise any impact of this reform on the Territory's housing market.

Any response to this recommendation will need to be considered over a longer timeframe. The Government will continue to monitor the Territory's housing market over the long term.