STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of Auditor-General's Report No. 2 of 2011: *Residential Land Supply and Development*

JULY 2012

Report 26

Committee Membership

Ms Caroline Le Couteur MLA	Chair
Mr John Hargreaves MLA	Deputy Chair from 5 August 2011
	Member from 20 November 2009 to 5 August 2011
Mr Brendan Smyth MLA	Member from 5 August 2011
	Deputy Chair to 5 August 2011
Ms Joy Burch MLA	Member to 19 November 2009

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Resolution of Appointment

The Legislative Assembly for the ACT appointed the Standing Committee on Public Accounts on 9 December 2008 to:

(1) examine:

a) the accounts of the receipts and expenditure of the Australian Capital Territory and its authorities; and

b) all reports of the Auditor-General which have been presented to the Assembly;

(2) report to the Assembly any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;

(3) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and

(4) examine matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue.[1]

[1] Legislative Assembly for the ACT, *Minutes of Proceedings*, No. 2, 9 December 2008, pp. 12–13.

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3.8 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.

RECOMMENDATION 4

3.10 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.

RECOMMENDATION 5

3.11 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.

RECOMMENDATION 6

3.13 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.

RECOMMENDATION 7

3.15 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.

RECOMMENDATION 8

3.10 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.

RECOMMENDATION 9

3.21 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.

1 INTRODUCTION AND CONDUCT OF INQUIRY

1.1 Auditor-General's Report No. 2 of 2011: *Residential Land Supply and Development* (the Audit report) was presented to the Speaker of the Legislative Assembly for the ACT (Legislative Assembly) on 24 February 2011.[2]

1.2 The Audit report presented the results of a performance audit that reviewed the effectiveness of the processes for supplying and developing land for residential purposes in delivering government objectives.

1.3 In accordance with the Standing Committee on Public Accounts' (the Committee) resolution of appointment the Audit report was referred to the Committee for examination.[3]

Terms of reference

1.4 The Committee's terms of reference were to examine the Audit report and report to the Legislative Assembly.

Conduct of inquiry

1.5 On 9 August 2011 the Committee received a briefing from the Auditor-General on the Audit report.

1.6 The Committee received a submission from the Government, dated 12 July 2011, in relation to the findings of the Audit report. The Government submission is attached at **Appendix A** and can also be downloaded from the Committee's website.[4]

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[2] The Audit report was presented to the Legislative Assembly itself at the first available sitting day following its forwarding to the Speaker. This occurred on 8 March 2011.

[3] Legislative Assembly for the ACT, *Minutes of Proceedings*, No. 2, 9 December 2008, pp. 12–13.

[4] http://www.parliament.act.gov.au/committees/index1.asp?committee=116

1.7 As previously noted, under its resolution of appointment, the Committee examines all reports of the Auditor-General which have been presented to the Assembly. The Committee has established procedures for its examination of these reports.[5]

1.8 In accordance with these procedures, the Committee resolved on 12 October 2011 to inquire further into the Audit report. Pursuant to standing order 246A, this decision was reported to the Legislative Assembly on 27 October 2011.[6]

1.9 The Committee held one public hearing on the Audit report findings and recommendations on Thursday, 2 February 2012. The Minister for Economic Development, Mr Andrew Barr MLA, appeared before the Committee accompanied by officials from the Economic Development Directorate (EDD). A list of all witnesses who appeared before the Committee is at **Appendix B**. The Committee's website contains the transcript of this hearing.[7]

1.10 The Committee met on 31 July 2012 to discuss the Chair's draft report. The Committee's draft report was adopted on 31 July 2012.

Structure of the report

1.11 The Committee's report is divided into four sections:

- Chapter 1—Introduction and conduct of inquiry
- Chapter 2—Audit background and findings
- Chapter 3—Committee comment
- Chapter 4—Conclusion

[5] Available at: http://www.parliament.act.gov.au/committees/AGReports.asp

[6] Legislative Assembly for the ACT, 'Public Accounts—Statement by chair', *Debates*, 27 October 2011, pp. 5146–5147.

[7] < http://www.parliament.act.gov.au/committees/index1.asp?committee=116>

Acknowledgements

1.12 The Committee thanks all those who contributed to its inquiry, including the Auditor-General, who provided the Committee with a briefing on the Audit report, and the Minister for Economic Development and EDD officials, who attended the public hearing.

2 AUDIT BACKGROUND AND FINDINGS

2.1 This chapter presents an overview of the background to, and key findings of the Audit.

2.2 Subsequent to completion of the Audit and presentation of the Audit report, a new directorate structure for the ACT Public Service (ACTPS) was adopted by the Government on 24 March 2011 and took effect from 17 May 2011.[8] The directorate structure consists of a single department or agency, of nine directorates, oversighted by a new ACTPS Strategic Board. Under the new structure, references to numerous agencies in the cross agency audit have changed.[9]

Audit background and objective

2.3 The objective of the Audit was to provide an independent opinion to the Legislative Assembly on the effectiveness of the processes for supplying and developing land for residential purposes in delivering government objectives. This included consideration of:

- planning processes to develop the ACT Government's Indicative Residential Land Release Program
- the delivery of the ACT Government's Indicative Residential Land Release Program against agreed targets and time frames, and
- the achievement of financial, social and environmental objectives for the residential land development plans.[10]

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[8] Gallagher, K. (2011) Media release: 'New ministerial arrangements', 17 May.

[9] On 3 September 2010, the former Chief Minister, Jon Stanhope, announced that Dr Allan Hawke AC had been appointed to review the structure and capacity of the ACTPS (Stanhope, J. (2010) Media release: 'Dr Allan Hawke AC to review ACT public-sector structures, capacity', 3 September). The proposal for a single department model was adopted by the Government on 24 March 2011 and took effect from 17 May 2011 (Gallagher, K. (2011) Media release: 'New ministerial arrangements', 17 May).

[10] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 5.

2.4 The Audit notes that direct responsibilities for land supply and development are distributed across a number of Government agencies. At the time the audit was conducted, these agencies included the Department of Land and Property Services (LAPS), the Land Development Agency (LDA), the ACT Planning and Land Authority (ACTPLA) and the Department of Territory and Municipal Services (TAMS).[11]

2.5 The Audit also noted that the importance of land supply and development for the ACT community, including the revenues that are generated for the Government, meant that the Chief Minister's Department and the Treasury also had a role in managing aspects of land supply and development.[12]

RECOMMENDATION 1

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

Audit conclusions

2.7 The Audit report contained the following audit conclusions drawn against the Audit objectives:

- Residential land supply and development within the ACT is a complex activity, which involves several ACT Government agencies and methods of land supply, including through LDA estates, private developer estates and joint venture estates.
- Inter-agency coordination has improved in recent years. There have been increased efforts and commitment by all agencies to accelerate the land release program to respond to unmet demand from past land release processes and on-going strong demand for residential dwelling sites.

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[11] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 3.

[12] *Ibid*.

- Notwithstanding recent improvements, the land supply and release process and programs to date have not been effective in achieving the Government's stated objectives, which include meeting demand, providing affordable land and housing and establishing an inventory of serviced land.
- There was scope for improvement in strategic management, monitoring of industry activity and adopting a robust approach to identifying and responding to residential land demand. There is also a need for clear reporting on the supply of 'shovel-ready' land to the market, to provide more certainty to stakeholders in the industry and to the ACT community.
- The LDA has a strong financial management focus that facilitates the achievement of its identified financial objectives and targets for its development activities. However, public reporting and accountability for LDA's performance in meeting the social and environmental objectives of Government was inadequate. Although the LDA recently developed an Environment and Sustainability Framework, it is too early to assess its implementation in new estates.
- The Affordable Housing Action Plan sets out social objectives and outcomes for land supply and development, and has been a key influence on the activities of various ACT Government agencies. Since its introduction in April 2007, there have been some good results, but there is scope for improvement in implementing some initiatives and in identifying measurable targets for specific initiatives and risk management.[13]

[13] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 5.

Audit findings

2.8 The Audit provided key findings to support its conclusions. The main elements of these findings—across five audit themes—are reproduced below.[14]

Processes for the supply and release of residential land

- In recent years, the ACT Government's accelerated land release programs have led to a significant escalation of land supply and release activity. The increased workload has placed increased pressure on existing agency resources as well as inter-agency relationships and protocols.
- LAPS has assumed responsibility for land supply and development policy and inter-agency coordination, and these roles were outlined in the Administrative Arrangements Orders (AAO) in 2009 and 2010. However, in practice, there remains some uncertainty with respect to the specific roles and responsibilities of LAPS, the LDA and ACTPLA, particularly with activities that occur at the boundary of the different agencies' legislative responsibilities.
- Various inter-agency governance committees and working groups were established in early 2010 to facilitate communication across the agencies, and this has led to some improvement in inter-agency communication. However, there is a need to improve knowledge of relevant staff of the inter-relationship of these groups and formal processes for escalating issues of concern for decision or action within these groups.
- ACT Government agencies have not used a robust model in identifying residential dwelling demand, including comprehensively assessing key underlying factors and their potential impact on the Indicative Land Release Program (ILRP). While forecast models have limitations, it is better practice to use such a model as a starting point to provide a more rigorous analysis of relevant assumptions and information to better inform decision making processes.

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[14] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, pp. 6–10.

- Agencies have consistently under-estimated the apparent demand for residential dwellings within the ACT, and ACT Government land release targets have been significantly and frequently revised upwards in recent years. Despite the current accelerated land programs, there was evidence of a shortage of the supply of residential land, capable of being built on, to meet the pent-up and on-going strong demand.
- ACT Government agencies have not yet developed robust mechanisms for monitoring developers' and builders' pipelines, which was a key requirement under the Affordable Housing Action Plan. More effective monitoring of developers' and builders' pipelines would assist in identifying future land release volumes.
- In addition, to improve transparency, more information should be made available to key stakeholders and the ACT community on the supply and release of residential land, including the volume of land that is zoning ready, planning ready, release ready and building ready.

Managing the supply and release of residential land

- There was a comparatively low level of residential land released in 2004–05 and 2005–06 (468 and 780 dwelling sites respectively), before land releases were significantly escalated in subsequent years. In 2009–10, land for 4,297 dwelling sites was released.
- The LDA has exceeded its land release targets since 2007–08, but there is a lack of clarity and transparency in land release figures. The LDA data on land release does not necessarily equate to the release of shovel–ready blocks. Better defined targets and measures would provide more accurate information on the status of land release and supply of 'shovel-ready' land for building activity. This would also be consistent with the intention of the land release programs to achieve an inventory of serviced land.
- The LDA is supplying blocks from LDA estates where development and civil works are yet to be completed. Settlement periods for land supplied through these estates may be as long as 18 months. While there are advantages for some buyers arising from the long lead time between the purchase of blocks and settlement of sale contracts, there are various risks

associated with this process, particularly from the ACT's Land Rent Scheme, which has seen a significant increase in its take-up.

- There were significant concerns raised by industry stakeholders regarding the lack of 'shovel-ready' land and the long lead times to access the land for construction.
- Due to levels of pent-up demand and the need to supply land as quickly as possible, the LDA has not established quarterly targets for over-the-counter sales, nor does it conduct regular over-the-counter sales for blocks from LDA estates, as required under the Affordable Housing Action Plan.

Meeting financial objectives of residential land supply and release

- The LDA's organisational objectives and key priorities, as articulated in its annual Statement of Intent, are supported by overall financial-related KPIs. However, the financial KPIs are not adequate to assess the LDA's specific performance and achievements for a range of its land development activities and methods of deliveries, namely the LDA's own estates, joint ventures or englobo land sales.
- In 2009–10 the LDA met or exceeded its identified financial-related KPIs. However, as a commercial operation, the LDA was not subject to normal commercial risks. For example:
    - the LDA is not required to pay TAMS for the land until individual blocks are settled with end-purchasers and is therefore able to minimise any borrowing or finance costs;
    - organisational overheads and administrative costs are not attributed to projects; and
    - the LDA itself determines the cost of land payable to TAMS, which does not always reflect independent valuations.
- The LDA's capacity to determine the cost of land payable to TAMS, which allows the LDA to achieve a guaranteed profit of 20 percent on its non-LDA developed land, including englobos and direct sales, can reduce incentives to control its costs to achieve efficiency.
- LAPS has not sought to independently benchmark the LDA's development costs, as required by the Affordable Housing Action Plan. Doing so would provide the Government with greater assurance that the

LDA's key businesses are efficiently managed, and would provide a stronger and transparent basis for Government to make strategic decisions about future land releases.

- There is a lack of comparative analysis of the results of the different methods of delivery of land release, including their merits and shortcomings in meeting competing financial, social and environmental objectives. Consequently, there is no robust process for LAPS to inform the Government's decision on an appropriate mix of land releases by different delivery methods, or any trade-off required to deliver competing government priorities.

Meeting social objectives of residential land supply and release

- The 2007 Affordable Housing Action Plan (AHAP) sets out social objectives and outcomes in relation to land supply and development, and has been a key influence on activities of various ACT Government agencies. AHAP initiatives were principle-based, and hence were phrased generally, with an expectation that these would be articulated into clear and measurable targets and indicators within Statements of Intent of the LDA and Statements of Performance of ACTPLA and other agencies. This did not occur for many AHAP initiatives.
- There were some good results achieved for the supply of affordable blocks. Between the introduction of the AHAP and June 2010, 238 blocks supplied through LDA estates have been settled for less than the affordable housing threshold of $120 000. In 2009–10, 135 blocks were settled for less than $120 000, which exceeded the then 10 percent target for land supplied in LDA estates within the affordable housing range. Most blocks supplied within this threshold are OwnPlace Program blocks.
- The LDA has implemented affordable housing targets in the Deeds of Agreement for englobo land releases, requiring the private sector developers to provide 15 percent of their dwelling blocks for affordable house and land packages. These requirements are enforced by ACTPLA. Since 2007, the LDA has also commenced incorporating affordable housing targets into its LDA estate releases. Due to timing differences between release and settlement (discussed in Chapter 3 of the Audit

report) not all of these releases have been translated into the actual supply of affordable house and land packages to the market. Over the two years since the introduction of the OwnPlace Program and June 2010, 247 OwnPlace blocks have been sold to builders, and only 112 of these blocks have since been released to eligible purchasers.

- The Land Rent Scheme, introduced in July 2008, allows buyers/lessees to make lease payments for LDA estate blocks over the term of the lease rather than as a upfront capital payment, (4 percent annually on the value of the land, or a discount 2 percent for eligible buyers), thus aiming to improve housing affordability.
- Under the current Government policy, all buyers of LDA land (regardless of income) can access the Land Rent Scheme. Purchasers, including owner-occupiers, builders and investors, can hold multiple blocks (maximum 5 blocks), and can unilaterally rescind the sale contract without any penalty or conditions prior to settlements.
- At the time of the audit, there has been a cancellation rate of 12.4 percent on these Land Rent contracts. There has also been an increasing proportion of LDA land releases being sold under this scheme, and in November 2010, the value of unsettled land rent block was about $133 million, which is subject to potential contract cancellations.
- The current rate of contract cancellations, combined with the LDA practice of supplying blocks within its estates with long settlement periods creates a number of risks to the land development and supply process, and has financial and budget implications, including:
  - no certainty for the LDA when entering into Land Rent contracts in terms of sales and revenue;
  - the difficulty to re-sell these blocks, if this happens at a time when a range of other estates are beginning to come on line and sell blocks;
  - considerable administrative inefficiency as the LDA needs to re-sell these blocks possibly multiple times, incurring additional costs such as marketing and legal registration of their Land Rent leases;
  - increased compliance and enforcement costs to ensure individuals and companies comply with the Scheme; and
  - increased uncertainty with respect to forecasting revenue for the ACT Government.

- As at January 2011, the ACT Revenue Office administered 54 Land Rent leases at a standard rate, and 34 leases at a discount rate to eligible low income lessees.

Meeting environmental objectives of residential land supply and release

- The ACT Government adopted a new approach to comply with the Environment Protection and Biodiversity Conservation (EPBC) Act for the Molonglo residential development, which involved a strategic assessment for the entire estate, rather than having an EPBC referral for each individual suburb development.
- There were significant delays to the completion of the EPBC strategic assessment, which was commenced by ACTPLA in September 2008, and was yet to be resolved. This has delayed land release and development processes in Molonglo and has impacted achievements against land release targets. To facilitate land releases, agencies took action to excise specific suburbs from the overall strategic assessment and separately pursued EPBC referrals for Wright and Coombs. However, continuing delays to the strategic assessment place at risk future land releases.
- The LDA has not identified measurable environment and sustainability indicators in its Statement of Intent to enhance its accountability for its environmental and sustainability performance. The LDA's current narrative and general discussion in its annual report about the application of ESD principles to their business activities can be improved with reporting against specific measures and targets.
- Unlike the financial matters, the LDA did not routinely monitor or report on project-specific environment and sustainability initiatives to the LDA Board.
- The LDA has recently developed an Environmental and Sustainability Framework, which is comprehensive, but it is too early to review its application to the LDA's developments. Consistent application of the Framework to all LDA land development activities and key business processes should assist in contributing to achievement of the environment and sustainability objectives.

Audit recommendations

2.9 The Auditor-General made **13 recommendations**, which are reproduced in full at **Appendix C**. The following table provides a summary of the recommendations across all five of the audit themes:

Audit theme	Recommendation coverage
1. Processes for the supply and release of residential land	R1—Formal governance documents outlining roles, responsibilities and accountabilities in land supply and development process
	R2—Dissemination of information associated with inter-agency working groups and governance committees
	R3—Publication of detailed information on ACT Government land development and supply strategy
	R4—Modelling to assess future residential land release targets
	R5—Mechanisms for monitoring builders' and developers' pipelines
2. Managing the supply and release of residential land	R6—Reporting against better defined and additional land release measures
3. Meeting financial objectives of residential land supply and release	R7—Additional financial indicators in the LDA's Statement of Intent
	R8—Determining the appropriate agency to determine value of land supplied to the LDA
	R9—Independent benchmarking of the LDA's development costs
4. Meeting social objectives of residential land supply and release	R10—Translation of AHAP initiatives into clear and measurable targets
	R11—Processes to address identified risks pending the outcome of Government's review of the Land Rent Scheme
5. Meeting environmental objectives of residential land supply and release	R12—Appropriate performance indicators for the LDA's environment and sustainability objectives
	R13—Routine consideration of and reporting on the LDA's non-financial indicators

Government response to recommendations

2.10 The Government's submission indicated that it agreed with 12 of the Audit recommendations and noted the remaining recommendation.[15]

2.11 In evidence, in relation to the Government's response to the recommendations, the Minister for Economic Development stated:

[15] ACT Government submission—dated 12 July 2011, pp. 2–7.

> I reiterate that the government agreed with all but one of the recommendations and noted the other. So we have simply been focused on implementing those recommendations.[16]

2.12 Recommendation 11 concerns the development of further processes and procedures to address risks identified in the Land Rent Scheme. On this topic, the Government stated:

> 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.[17]

2.13 The Committee notes that it received the Government's submission[18] approximately four months after the Audit report[19] was presented to the Legislative Assembly—one month longer than the three-month time frame set out for Government responses to Auditor-General's reports presented to the Legislative Assembly.[20]

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[16] Mr Andrew Barr MLA, *Transcript of evidence*, 2 February 2012, p. 1.

[17] ACT Government submission—dated 12 July 2011, pp. 6–7.

[18] Dated 12 July 2011.

[19] 24 February 2011.

[20] A Government submission is to be provided to the Public Accounts Committee three months from the date an Auditor-General's report is presented in the ACT Legislative Assembly. See ACT Government, *Guidelines for responding to reports by the Auditor-General*, November 2009, p. 3.

3 COMMITTEE COMMENT

3.1 The Audit examined the effectiveness of the processes for supplying and developing land for residential purposes in delivering government objectives.

3.2 The Committee acknowledges that residential land supply and development within the ACT is a complex activity which involves several ACT Government agencies and methods of land supply, including LDA estates, private developer estates and joint ventures.[21]

3.3 The Committee also appreciates the importance of land supply and development to the Territory in terms of the structure of the ACT economy. The Territory has a narrow government revenue base with the principal origins of own-source revenue being transfer payments from the Commonwealth and housing and land related transactions.

3.4 In considering the Audit report, the Committee is of the view that five areas warrant further comment, matters relating to: (i) managing the supply and release of residential land; (ii) meeting financial objectives of residential land supply and release; (iii) meeting social objectives of residential land supply and release; (iv) reform of the ACT's taxation system; and (v) progress on implementation of recommendations. Comment against each of these areas is set out below.

Managing the supply and release of residential land

3.5 The Audit found that notwithstanding the LDA had exceeded its land release targets in 2007–08, there was a lack of clarity and transparency in land release figures.[22]

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[21] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 3.

[22] *Ibid.*, p. 37.

3.6 **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.**

3.7 The Committee notes that the Audit report highlighted that significant concerns were raised by industry stakeholders in relation to a shortage of 'shovel-ready' land and long lead times to access land for construction.[23]

RECOMMENDATION 3

3.8 **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.**

3.9 The Audit found that the LDA had not established quarterly targets for over-the-counter sales. Furthermore, the Audit also found that the LDA did not conduct regular over-the-counter sales for blocks from LDA estates, as required under the Affordable Housing Action Plan.[24]

RECOMMENDATION 4

3.10 **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.**

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[23] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 37.

[24] *Ibid*.

3.11 **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.**

Meeting financial objectives of residential land supply and release

3.12 The Audit found that whilst the LDA's organisational objectives and key priorities, as detailed in its Statement of Intent, were supported by overall financial-related KPIs, these KPIs were not adequate to assess the LDA's specific performance and achievements for a range of its land development activities and methods of deliveries, namely the LDA's own estates, joint ventures and englobo land sales.[25]

RECOMMENDATION 6

3.13 **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.**

3.14 The Audit also found that the former Department of Land and Property Services had not sought to independently benchmark the LDA's development costs, as required by the Affordable Action Housing Plan.[26] The Audit commented that establishing such a process:

> ...would provide the Government with greater assurance that the LDA's key businesses are efficiently managed, and would provide a stronger and transparent basis for Government to make strategic decisions about future land releases.[27]

RECOMMENDATION 7

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[25] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 49.

[26] *Ibid*.

[27] *Ibid*., p. 8.

3.15 **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.**

Meeting social objectives of residential land supply and release

3.1 A key social objective of residential land supply and development is housing affordability. Demand or supply side measures can be used to respond to housing affordability.

3.2 The ACT Government's Affordable Housing Action Plan details a number of demand and supply side initiatives designed to increase housing affordability. The Plan also addresses matters related to the provision of community and social housing, factors influencing homelessness, and ways to increase the supply of affordable housing for older Canberrans.[28]

3.3 The Audit highlighted a number of issues related to housing affordability initiatives together with instances of non-compliance with the Affordable Housing Action Plan.

3.4 A key initiative of the Affordable Housing Action Plan has been the Land Rent Scheme.

The Land Rent Scheme

3.5 The contribution of residential land supply and development to housing affordability is significant, in that, the planning regime and land supply have a direct influence on housing affordability.

3.6 The Land Rent Scheme is an initiative under the ACT Government's Affordable Housing Strategy and detailed in the Affordable Housing Action Plan which is focused on the processes for the supply and release of

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[28] ACT Government. (2012) Economic Development Directorate, Affordable Housing Action Plan homepage, http://www.economicdevelopment.act.gov.au/affordable_housing/action_plan, accessed 2 August 2012.

residential land. The Scheme allows a buyer/lessee to rent rather than purchase land on which to build a home.[29]

Two-year review of the Scheme

3.7 In relation to the Land Rent Scheme—the Auditor-General recommended that:

> 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.

3.8 In its submission, the Government noted the recommendation stating:

> 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.[30]

3.9 The Committee notes that the two-year post implementation review of the Land Rent Scheme was included in the Scheme's original policy. The Committee understands that the review of the Land Rent Scheme was conducted by University of New South Wales' Professor Peter Phibbs, Dr Vivienne Milligan and Dr Hazel Blunden at a cost of $36,080.[31]

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[29] ACT Revenue Office, 'Land Rent', 19 April 2012, accessed 25 June 2012, http://www.revenue.act.gov.au/home_buyer_assistance/land_rent_scheme

[30] ACT Government submission—dated 12 July 2011, pp. 6–7.

[31] Mr Andrew Barr MLA, Response to question taken on notice No. 133, Select Committee on Estimates 2012-13, Inquiry into *Appropriation Bill 2012-2013* and the *Appropriation (Office of the Legislative Assembly) Bill 2012-2013*.

RECOMMENDATION 8

3.10 **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.**

Potential for gaming of the Scheme

3.11 The Committee notes that during the 2012–13 Estimates inquiry, the following assertion with regard to the Land Rent Scheme was made by a representative of ACT Shelter:

> …I can say with all surety that the land rent scheme is being utilised by financially savvy people who know how, legally, to use the system. I believe it is not capped. There is no top income.[32]

3.12 In response to this assertion, the Minister for Economic Development informed the Estimates Committee that there were two rates for calculating the amount of land rent charged under the Scheme—a standard rate of four per cent of the unimproved value of the leased land and a concessional rate of two per cent of the unimproved value of the leased land. The standard rate is not subject to either an income or asset test; however, access to the concessional rate is subject to the following conditions:

- the total annual income of all lessees must not exceed $85,500, increasing by $3,330 per child up to a maximum of $102,150 for five or more children…
- lessees cannot own any other real property; and
- at least one of the lessees must reside in the property once a Certificate of Occupancy has been issued.[33]

3.13 The Director-General of the EDD explained that, in response to reports that developers had paid people to apply for land rent blocks on their behalf, the Directorate introduced a requirement for applicants to the Land Rent Scheme

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[32] Ms Leigh Watson, *Transcript of Evidence*, 15 June 2012, p. 15, Select Committee on Estimates 2012-13, Inquiry into *Appropriation Bill 2012-2013* and the *Appropriation (Office of the Legislative Assembly) Bill 2012-2013*.

[33] Mr Andrew Barr MLA, *Transcript of Evidence*, 20 June 2012, pp. 418, Select Committee on Estimates 2012-13, Inquiry into *Appropriation Bill 2012-2013* and the *Appropriation (Office of the Legislative Assembly) Bill 2012-2013*.

; ACT Revenue Office, 'Land Rent', 19 April 2012, accessed 26 June 2012, http://www.revenue.act.gov.au/home_buyer_assistance/land_rent_scheme; Mr Andrew Barr MLA, Correspondence to the Chair of the Select Committee on Estimates 2012-2013, 29 June 2012.

to sign a statutory declaration that they were not acting for a third party. The Directorate also restricted the maximum number of blocks available to a builder to five and increased scrutiny of the ballot process to ensure that applicants did not enter the ballot more than once.[34]

3.14 Although these changes to the Scheme were considered necessary because some builders or developers believed they could gain a benefit, the Minister insisted that, in the present economic environment, no such benefit could in fact be gained:

> There may be a difference in perception around the rationality of that decision making and the level of a perceived benefit versus an actual benefit. I think there could be circumstances prevailing in the economy whereby, depending on the rates that you set in the context of the land rent scheme, if that was massively out of kilter with, for example, access to private finance, then yes, that may well be an issue. But in the current context, and given the circumstances of the scheme, the circumstances of the territory and the national economy right at this point, I think it would be a pretty hard stretch to say that people are making any sort of windfall gain out of this process. If they were then you would presume there would be rampant use of this.[35]

Performance of the Scheme

3.15 Since its commencement, the operation of the Scheme and effectiveness in meeting its objectives has been followed closely by the Legislative Assembly and its committees. This has included reporting on activity under the Scheme, the number of land rent contracts settled under the Scheme, the attractiveness of the Scheme to the financial sector, the treatment of stamp duty under the Scheme, detail on access and selling transactions under the Scheme, and the impact of the Scheme in terms of getting low income earners into their first homes, and total revenue collected from the Scheme in various financial years.

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[34] Mr David Dawes, *Transcript of Evidence*, 20 June 2012, p. 404.

[35] Mr Andrew Barr MLA, *Transcript of Evidence*, 20 June 2012, p. 406.

3.16 With regard to current information on the operation of the Scheme, the Minister for Economic Development provided the following detailed information on notice to the 2012–13 Estimates Committee[36]:

> In 2011–12, 631 blocks were offered to market with the option of Land Rent. Of these, 426 (or 67.5 per cent) have been taken up under the Land Rent Scheme. The 426 Land Rent blocks are worth $119.1 million inc GST in total.
>
> As at the end of May 2012, 108 (23 per cent) land rent participants qualified for the discount rate of 2%, and 360 (77 per cent) are paying at the standard rate of 4%.
>
> The number of land rent rescissions by year and estate are provided in the table below.

Estate	09/10	10/11	11/12
Bonner	23	55	168
Dunlop		1	
Harrison		10	27
Wright		50	79
Jacka			4
Totals	23	116	278

Reform of the ACT's taxation system

3.17 The Audit has been important in assessing the degree to which the processes for supplying and developing land for residential purposes deliver on a range of government objectives. The Audit also highlights the inherent challenges when there are competing objectives, for example, housing affordability versus a reliance on housing and land related transactions as a major contributor to the Territory's own-sourced revenue.[37]

3.18 The Committee notes that taxation reform to be introduced as part of the 2012–13 Budget proposes, amongst a number of taxation measures, to phase out conveyance duty with an associated increase in general rates for the commercial and residential sector. The Committee acknowledges that the concept of trading off stamp duty with increases in general rates would only

[36] Mr Andrew Barr MLA, Response to question taken on notice No. 130, Select Committee on Estimates 2012-13, Inquiry into *Appropriation Bill 2012-2013* and the *Appropriation (Office of the Legislative Assembly) Bill 2012-2013*—note: 'Totals' row has been added to this response.

[37] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 3.

be possible in the ACT given its unique responsibilities for state and local government taxation.[38]

3.19 Whilst the proposed phasing out of conveyance duty has a number of benefits, for example, people wanting to move house may be pleased with the proposed reform, as might those wanting to buy into the lower end of the market, and households wanting to downsize will have an incentive, particularly if their home is located in an area with high land values. Conversely, those on fixed incomes will have an increased rates bill and those in retirement, who are asset rich and income poor, may have no other option than to sell their homes prematurely. More generally, investors may be driven towards the lower end of the market and in terms of property construction, a different type of construction standard may be encouraged.[39]

3.20 The Committee is of the view that this proposed taxation reform has the potential to impact on residential land supply and development in a number of ways, and in some cases, with adverse consequences. The Committee believes a two-year post implementation review of this reform measure should be conducted.

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[38] Stewart, J. (2012) 'More zeal than sense', *Canberra Times*, 16 June, p. 7.

[39] Hull, C. (2012) Budget double hit will not achieve aims', *Canberra Times*, 9 June 2012, p. 2; Stewart, J. (2012) 'More zeal than sense', *Canberra Times*, 16 June, p. 7; *Transcript of evidence*, 18 June 2012, pp. 86–89; 96–101; 108–112; 121–126; 133–134.

3.21 **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.**

Progress on implementation of recommendations

3.1 The Committee has considered the submission received from the ACT Government and the evidence provided at the public hearing of 2 February 2012, and assessed whether the EDD has responded appropriately to the Auditor-General's findings.

3.2 In its submission and public hearing evidence the EDD, which has carriage for following up the recommendations of the cross-agency audit, advised that it had acted upon initial responses as set out in the Audit report. In evidence, the Minister for Economic Development and representatives from the EDD indicated that relevant entities had either addressed, or were in the process of addressing, those matters identified by the Audit as requiring further attention.[40]

3.3 Notwithstanding this, the Committee notes that the Government had a different view about aspects of one recommendation[41] relating to the Land Rent Scheme. The Committee has made further comment on this matter in the context of the relationship between land supply and development and housing affordability earlier in this report.

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[40] *Transcript of evidence*, 2 February 2012, pp. 1–3; 9–12; 17–18.

[41] 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.

4 CONCLUSION

4.1 As noted earlier in this report, the Committee acknowledges that residential land supply and development within the ACT is a complex activity which involves several ACT Government agencies and methods of land supply, including LDA estates, private developer estates and joint ventures.[42]

4.2 The Committee also appreciates the importance of land supply and development to the Territory in terms of the structure of the ACT economy.

4.3 The Audit has been important in assessing the degree to which the processes for supplying and developing land for residential purposes deliver on a range of government objectives.

4.4 The Committee has made **nine** recommendations in relation to its report inquiring into Auditor-General's Report No. 2 of 2011: *Residential Land Supply and Development*.

Caroline Le Couteur MLA

Chair

31 July 2012

[42] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 3.

APPENDIX A: ACT Government submission

Attached is a copy of the Government submission to the Standing Committee on Public Accounts in response to the Audit report.

ACT Government

2011

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

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

Authorised for publication
12.10.11

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.

APPENDIX B: Witnesses who appeared before the Committee

Thursday, 2 February 2012

Mr Andrew Barr MLA, Minister for Economic Development

- Mr David Dawes, Director-General, Economic Development Directorate and Chief Executive, Land Development Agency
- Mr Chris Reynolds, Executive Director, Land Development Division, Economic Development Directorate

APPENDIX C: Audit report recommendations

Processes for the supply and release of residential land

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.[43]

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.[44]

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.[45]

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[43] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February 2011, p. 26.

[44] *Ibid.*, p. 28.

[45] *Ibid.*, p. 32.

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.[46]

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.[47]

Managing the supply and release of residential land

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.[48]

Meeting financial objectives of residential land supply and release

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.[49]

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.[50]

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[46] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 33.

[47] *Ibid.*, p. 35.

[48] *Ibid.*, p. 44.

[49] *Ibid.*, p. 53.

[50] *Ibid.*, p. 56.

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.[51]

Meeting social objectives of residential land supply and release

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.[52]

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.[53]

Meeting environmental objectives of residential land supply and release

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.[54]

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.[55]

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[51] ACT Auditor-General's Office, Report No. 2 of 2011: *Residential land supply and development*, 24 February, p. 60.

[52] *Ibid.*, p. 65.

[53] *Ibid.*, p. 74.

[54] *Ibid.*, p. 82.

[55] *Ibid.*, p. 84.