

**PRODUCTIVITY COMMISSION
INQUIRY ON FIRST HOME OWNERSHIP**

**Submission by the
AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION**
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1. Background

In Australia, local government is established under State/Territory legislation and its structures, powers and functions are determined by that legislation. In all jurisdictions in the last 10-15 years, the relevant legislation creating and regulating local government has been reviewed and significantly amended or replaced with new legislation that gives local councils greater general competence powers. In most jurisdictions it was the first time that the legislation creating and regulating local government had been reviewed so comprehensively for more than forty to fifty years. Generally speaking, these changes enable local governments to provide a wide range of services or to undertake functions to meet the needs of their local communities which may be beyond their statutory requirements. This includes activities relating to the provision of affordable housing in their local communities.

Local government is an elected sphere of government, representative of and directly accountable to, its local community. The fact that it is elected and responsible for a broad range of services in a clearly defined geographic area, means that local government is potentially better placed than the other two spheres of government to understand and meet the needs of its local community and to respond to those needs in ways that are appropriate to local conditions. Local government is multifunctional and, unlike other spheres of government, is able to combine and integrate services tailored to meet local needs.

These characteristics of local government also raise some dilemmas in the management of local areas. For example, local governments are often treated as the servants of State/Territory Governments, creating tensions over direction setting and accountability. The fact that local governments also have a measure of choice over the range of non-statutory functions they get involved in, as well as the manner in which they interpret their statutory functions, results in a considerable range of differences and diversity in local councils within and between jurisdictions.

The diversity of local government is apparent through a number of characteristics, including the different powers and functions, the level of financial resources, population size, geographic area, location and human resources. Any consideration of local government's role in affordable housing must therefore be cognisant of the diversity of roles and functions and the diversity of issues confronting local governments throughout Australia, not just on the urban fringes of the capital cities or centres experiencing high housing prices.

2. Local Government's Housing Roles

Local government's role in housing was well documented in the context of the National Housing Strategy in 1991 (Purdon and Burke 1991) and by the Australian Local Government Association in 1995 (BBC & PIC1995). Following the National Housing Strategy and in the context of the Australian Urban and Regional Development Review, ALGA responded to the challenges of those reviews and developed a national housing policy for local government (ALGA 1995).

The National Housing Strategy (Purdon and Burke 1991) observed that local governments play a significant part in influencing local housing opportunities through its various planning and regulatory responsibilities, have strong connections to their local community and are well positioned to facilitate a 'whole of government' approach to housing outcomes in their local areas. Local governments have both direct and indirect impacts on the provision of affordable housing. Direct involvement refers to the actual provision of housing by local governments acting individually or in partnership with others. Indirect involvement refers to the role that local governments play in facilitating the provision of housing by others. This distinction is frequently not explicitly recognised by other levels of government or by local governments themselves.

In 1995 ALGA commissioned research to develop a national local government housing policy (BBC & PIC 1995). This research documented the statutory and organisational arrangements for housing services in each State/Territory and included wide ranging consultations with many stakeholders. The research found that many councils were not fully aware of the impact their planning and regulatory functions have on the affordability and appropriateness of housing within their local areas. To assist councils and other stakeholders understand how their activities impact on housing outcomes, the research undertaken by BBC Consulting Planners developed a continuum of housing roles. The continuum ranges from working in partnership, through understanding the awareness and identification of needs, integrated planning, infrastructure provision and service delivery, development control and building approval, the facilitation of housing outcomes, to the direct provision and management of housing. (Appendix 1)

Consistent with the outcomes of the National Housing Strategy research in the early 1990's and ALGA's own research, ALGA's National Local Government Housing Policy advocated the development of local housing strategies as a way of encouraging more active local government involvement in shaping housing outcomes at the local level. The preparation of local housing strategies was advocated because at that time most councils did not have explicit housing policies or were often not aware of the housing related impacts of their planning, policies and regulatory activities. Over the past decade, many local governments across Australia have prepared local housing strategies, in some cases as a result of direct State intervention through planning legislation. Local housing strategies prepared by local councils generally include an analysis of local housing need, market characteristics and proposals for planning or policy intervention.

The Australian Housing and Urban Research Institute (AHURI) has recently completed the first comprehensive assessment of the value of local housing strategies prepared by local governments in Australia in three States, including the extent to which the strategies have been implemented in practice or led to changed housing outcomes on the ground, and identifying models of excellence and innovation (Gurran 2003)¹. While there is significant variation in the format and content of local housing strategies, their use has proved to be an effective vehicle for local governments to address defined housing needs and objectives. The research also concluded that there are significant differences in the housing related roles recognised by Councils in New South Wales, Queensland and Victoria, the three states studied in the research. The differences correlate to the different policy and planning frameworks governing local government housing activities in the different jurisdictions. For example, in NSW there is a longer history of State Government initiatives to encourage and support local involvement in housing. These have resulted in demonstrable differences in the range of housing roles and activities undertaken by Councils in Sydney in comparison to Councils in Brisbane and Melbourne.

Local Government's involvement in housing can be identified as involving four broadly defined areas of activity as shown in Table 1².

Table 1: Local Government's Housing Activities

Planning	Production	Consumption	Management
<ul style="list-style-type: none"> • Housing research and policy development • Strategic planning • Land use planning including identifying land for housing development 	<ul style="list-style-type: none"> • Application of planning and development controls • Building regulations • Direct provision of housing. E.g. aged persons housing • Joint ventures • Donation of land • Land assembly, subdivision and sale 	<ul style="list-style-type: none"> • Employee housing • Emergency housing • Supported accommodation • Nursing homes/hostels • Rental housing • Rate rebates • Other financial assistance 	<ul style="list-style-type: none"> • Management of local government housing stock • Management of home maintenance program • Emergency housing

Source: Purdon and Burke 1991, BBC 1995, MAV 1999, Gurran 2003

As Purdon and Burke (1991:30) observed for the National Housing Strategy, local government's involvement in housing can be categorised as reactive, facilitative or innovative.

¹ Summary: <http://www.ahuri.edu.au/publish/page.cfm?contentID=30&projectid=9>
 Positioning Paper: http://www.ahuri.edu.au/attachments/pp_housingpolicy.pdf
 Final Report: http://www.ahuri.edu.au/attachments/60132_final_houspolicy.pdf

² These four broad levels can also be used to analyse Commonwealth and State/Territory government involvement in housing.

- Reactive. Councils that are unwilling or unable to assume a more active role other than their indirect involvement through the planning and development assessment system, but will react to pressures created by external factors, such as market trends or State or Commonwealth policies or community pressures.
- Facilitative. Councils that will create an appropriate facilitative climate and embracing activities such as the provision of land, supporting or encouraging local housing initiatives, and facilitating certainty in the development assessment process.
- Innovative. Councils that readily initiate creative ideas and options for housing provision that go beyond their normal roles and statutory responsibilities.

The range of choices available to local government to influence local housing outcomes means that it is not possible to make generalised and universal statements about the role of local government in housing. The balance of explicit housing activities that local councils embark on depend on a range of factors, including the statutory responsibilities given to them by State/Territory Governments, their own initiative to meet particular needs in their local communities, in response to requests or suggestions from their communities or the private sector, as well as the policies and programs of other spheres of government. The availability of funding from other sources is often a key ingredient to encouraging councils to be providers of housing in their local area or to be innovative facilitators of housing provision in their area by other stakeholders.

2.1 Housing planning related functions

The location and quality of urban development is regulated through land use planning. The location of land for particular uses affects the spatial relationship and accessibility of housing, employment and services as well as proximity to transport. The overall purpose of planning is to ensure land use and development meets present and future needs of the community, reflects minimum community standards of health, safety and amenity, protects the environment, provides a process for resolving competing interests and ensures there is a reasonable level of housing choice. Without this framework, development would be unregulated and minimum community standards of health, safety and amenity would not be achieved consistently.

Planning generally occurs at two distinct levels – strategic and statutory.

Strategic planning involves developing plans for a medium to long term horizon, setting goals and identifying strategies for achieving those goals over time. Strategic planning is a form of ‘gap analysis’. It establishes where a spatial area is today in socio-economic terms, where it would like to be at a particular time frame, and how it can get there. It provides an opportunity to change priorities or shift the emphasis on particular matters in response to emerging trends or needs.

Statutory planning is the legally binding documents that control development. These are known variously as planning schemes, local environmental plans,

development plans, or development controls depending on the jurisdiction. Although many people believe that there is too much restriction on how land may be used, planning regulations are the only way that the interests of the majority can be protected in a democratic society. If a person or a private corporation wants to develop land or change the use of land, then that use or development is controlled by a statutory planning document.

State/Territory Governments establish the statutory framework for land use planning and development. They are responsible for the statutes that regulate the ownership of land, the sale and purchase of land and housing, land use, and planning and development³. The States provide the legislative and administrative framework which authorises local government to perform certain planning functions. These regimes vary between and within the various jurisdictions. Local Government exercises its statutory planning powers in two ways:

- through the creation of land use plans and development controls; and
- through the process of assessing applications for land use and development by granting approval, granting approval with conditions, or refusing an application, and through the enforcement of planning scheme provisions and permit conditions.

2.2 Housing production related functions

Local Government's housing production related functions include its statutory planning responsibilities, the administration of the development controls through management of development assessment processes, subdivision controls, and occasionally the direct provision of housing. Local government's involvement in the direct provision of housing is quite limited⁴ and is likely to remain so.

Local Governments in all jurisdictions⁵ are required by the authority of State legislation to prepare a range of statutory planning documents that are legally binding. At the local level, these include planning schemes, by-laws, codes and regulations within which the operational rules and criteria for development are set out. There is considerable variation in the format and content of these instruments within and between jurisdictions and the level of authority and autonomy given to local government to regulate. Regulations exist to control and manage the use and development of private land and are an integral part of the development process. The regulations can be broadly categorised as follows:

- **Development control:** Local councils have power over development assessments and are able to grant approval, grant approval with conditions, or refuse an application. The controls regulate allowable densities, height, external design and siting, building materials, open space provisions, and in

³ The Development Assessment Forum has prepared a document setting out the legislative, institutional and administrative arrangements in each jurisdiction (www.daf.gov.au). Although this document is currently being updated to reflect recent changes in some States, it is still the most recent and authoritative comparative assessment of the planning systems in the different jurisdictions.

⁴ For example, aged housing or employee housing.

⁵ Except the Northern Territory.

some jurisdictions the level of developer contribution required to cover physical and/or community infrastructure costs. Local Councils also have control over the demolition of buildings, including housing.

- Land release/supply, subdivision control and infrastructure provision: The level of control over subdivision varies between jurisdictions. Where local Councils do have control, it includes discretion over engineering standards for roads, drainage, allotment size and in some jurisdictions over water and sewerage. Although local government has a significant role in infrastructure provision, it plays a more limited role in relation to land release/supply and coordination, especially in the major capital cities.
- Building Regulation: Local government does not set the building regulations, they only administer them. There is some flexibility in interpretation and application, however, they are designed to ensure the safety, health and integrity of building and construction works. Where applications do not conform with the building regulations they are generally rejected in the first instance.

In relation to planning and development assessment processes, Local Government has been an active participant in the activities of the Development Assessment Forum (DAF)⁶. In recent years DAF has undertaken a number of research projects aimed at improving development assessment systems and processes, and the outcomes of the research have proven to be very useful in assisting in the reform and improvement processes at State and local levels.

The role of local government in relation to the planning and provision of basic infrastructure is significant, but varies from state to state and even within States. Research undertaken for the Office of Local Government in 1991 estimated that local government is responsible for approximately one fifth of total state and local expenditure on new fixed assets (with some variations between states) (Lang 1991). Local government's involvement in roads, recreation facilities, sewerage, drainage, waste disposal and environmental protection are particularly significant and well recognised. However, its role in the planning and provision of human services or community infrastructure such as public libraries, children's playgrounds, senior citizens centres, youth centres, recreation and sporting facilities and other community facilities such as meeting rooms and function halls has increased over time and are not well recognised by other spheres of government.

Some attempts were made under the previous government's Better Cities Program to develop a more co-ordinated approach to urban land release systems, however as far as ALGA is aware, there has been no recent activity at a national level to facilitate the development or improvement of State/Territory based urban land release management systems (NCPA 1993).

⁶ See www.daf.gov.au

2.3 Housing consumption related functions

Local Government's consumption related functions include the levying of local government rates, rate rebates, and its involvement in rental housing. This is discussed in more detail later in the submission.

2.4 Housing management related functions

Local Governments activities in relation to the direct management of housing have no impact on the affordability or accessibility of housing for first home buyers.

3. Local Government's Environmental Management Roles and Their Impact on Residential Building and Development

Local Government has a wide range of roles and responsibilities in relation to environmental management that impact on the residential building and development industry and the industry's ability to achieve better environmental outcomes.

At the local level, the environmental management agenda is quite significant. For example, the range of issues that impact on the residential building and development industry could include the following issues (and this list is indicative only):

- Noise - vehicle noise, construction noise.
- Air pollution - from motor vehicles other industrial machinery, lead pollution, smoke from on-site burning of building waste.
- Storm water - management of site run-off both during and after construction, cross-border impacts between local Councils, loss of environmental flows and biodiversity in waterways, groundwater pollution, pollution from inadequately treated sewerage, flood control.
- Water - excessive demand, improper use.
- Solid waste - litter, land pollution and aesthetics, waste reduction and recycling, disposal of hazardous chemicals and other waste.
- Soil erosion - land degradation and salinity.
- Vegetation - tree protection, loss of native plants and animals (biodiversity), control of noxious weeds and plants.
- Energy efficiency - better siting and orientation of buildings, use of new and innovative materials, technologies and insulation to reduce energy consumption and improve energy efficiency.

In all jurisdictions, Local Government's powers and responsibilities for environmental management and outcomes are governed by an array of State legislation and some federal legislation.

For example, in NSW with the passage of the *Environmental Offences and Penalties Act (EOP) in 1989*, local Councils and other agencies whose responsibilities include environmental pollution are legally accountable for their actions. While land use planning, development control and drainage related powers under the *Environmental Planning and Assessment Act (EP&A) 1979* and *the Local Government Act (LGA) 1993* provide the source of Councils'

obligations under the EOP provisions, Councils' responsibilities to fulfill their various roles in relation to urban stormwater is governed by several different statutes, amongst others:

- *The Local Government Act 1993*
- *Environmental Planning and Assessment Act 1979*
- *Clean Waters Act 1970*
- *Environmental Offences and Penalties Act 1989*
- *Pollution Control Act 1970*
- *The Water Act 1912*
- *The Drainage Act 1939*
- *Rivers and Foreshores Improvement Act 1948*
- *Soil Conservation Act 1938*
- *Protection of the Environment Administration Act 1991*
- *Catchment Management Act 1989*
- *Land and Environment Court Act 1979*
- *The Water Administration Act 1986*
- *Environmental Research Trust Act 1990*
- *Environmental Restoration and Rehabilitation Act 1990*
- *Environmentally Hazardous Chemicals Act 1985*
- *Public Health Act 1991*
- *Waste Disposal Act 1970*
- *Dog Act 1962*

Some of this legislation is not regulatory, but affects funding, coordination of services etc., and provides other benefits to the community.

Many Councils are actively engaged in improving environmental management, including requirements on residential developments to meet certain minimum or acceptable standards of performance during and after construction.

For example:

- Run-off and overland flow to be controlled during construction to minimise undesirable external impacts, including erosion and sediment control;
- Air pollution controls through dust suppression;
- Limiting construction activity to reasonable daylight hours and only during certain hours/times on weekends to limit noise pollution;
- Provision of toilets and connection to sewers in some areas;
- Building waste and litter to be contained within the site;
- Protection of trees and plants;
- Site restoration on completion of subdivision/development.

In the planning and development stages Councils may require a number of measures to be met, including:

- Overall urban design;
- Density controls;
- Siting and orientation requirements to harness as much natural energy as possible;
- Transport requirements, and
- Use of certain external materials for aesthetic or other reasons, such as the use of colourbond instead of zincalume.

- A range of energy efficiency measures such as the installation of double flushing toilets, water-saving shower roses, solar hot water systems, certain levels of insulation in floors, walls and ceilings, etc.

As a local opinion leader and regulator at the local scale, Local Government has the opportunity and the challenge to influence lifestyle and human behaviour to advantage, as far as environmental issues are concerned, and to demonstrate ways that people can reduce their environmental 'footprint'; in other words their individual impact on the environment and natural resource consumption, without reducing their quality of life. Reducing consumption, cleaner production, conservation, increased profitable waste segregation, recycling and resource recovery, and improved environmental management are all part of the common effort of Local Government towards sustainability.

However, it needs to be remembered that the division of environmental powers between levels of government in Australia has traditionally left Local Government with a fairly narrow agenda covering land use planning functions, development control, public nuisances, health and building controls. Its key responsibilities in the past have included waste management and monitoring, engineering, park and reserve management, provision of public amenities, heritage protection, local traffic management, and land use planning.

Local Government's environmental roles have evolved over the last two decades with the addition of community management and resource concerns to its traditional works programs. By the turn of the Century this had expanded to include local conservation, coastal management, integrated catchment management, flora and fauna protection, waste recycling and reduction, energy management, environmental and social impact assessment, urban and rural regeneration, traffic calming and environmental education. There is a growing recognition that virtually all of local Government's activities have some environmental implication.

However, despite the expanded expectations of, and responsibilities for, environmental management at the local level, there has been no commensurate expansion of Local Government powers, nor funding opportunities. This is despite the fact the States are shifting more of their responsibilities to Local Government, and the community is demanding more competitive, cost-effective customer service, and developments (including housing) that are more sustainable in the longer term.

4. Comments in relation to the Terms of Reference

The Terms of Reference for this inquiry require the Commission to

- Identify and analyse all components of the cost and price of housing, including new and existing housing for those endeavouring to become first home owners;
- Identify mechanisms to improve the efficiency of the supply of housing and associated infrastructure; and
- Identify any impediments to first home ownership, and assess the feasibility and implications of reducing or removing such impediments.

In particular, the Commission has been directed to pay particular attention to the following aspects as they affect the cost and availability of residential land and housing in both metropolitan and rural areas:

- a) the identification, release and development of land and the provision of basic related infrastructure;
- b) the efficiency and transparency of different planning and approval processes for residential land;
- c) the efficiency and transparency of taxes, levies and charges imposed at all stages of the housing supply chain;
- d) the efficiency, structure and role of the land development industry and its relationship with the dwelling construction industry and how this may be affected by government regulations;
- e) the effect of standards, specifications, approval and title requirements on costs and choice in new dwelling construction; and
- f) the operation of the total housing market, with specific reference to the availability of a range of public and private housing types, the demand for housing, and the efficiency of use of the existing residential housing stock.

ALGA offers the following observations and comments in response, in so far as they relate to local governments' roles and functions.

4.1 The identification, release and development of land and the provision of basic related infrastructure

As discussed above, local governments' planning functions involve the identification of land for urban development, including for housing, and, depending on jurisdiction, subdivision control. However, in most of the capital cities, local government is not involved in the monitoring and coordination of land release for urban development. The States are responsible for managing these systems.

In other areas outside the capital cities, local government's involvement in the identification, release and development of land for housing and the provision of related local infrastructure varies considerably. In some jurisdictions, local government plays a strategic and important co-ordinating role, whereas in other jurisdictions it plays a less prominent role depending on the extent to which the State retains control over certain functions.

4.2 The efficiency and transparency of different planning and approval processes for residential land

This statement confuses planning processes and development assessment functions. As articulated above, they are separate processes and local government is generally required to make a clear distinction between them. Generally, preparing planning schemes and development controls is one function, and the assessment of development applications made under those plans and controls is another function. In most cases the council is responsible for preparing and endorsing the planning scheme and development controls. The responsibility for making decisions on development applications is, in most cases, either delegated to senior planning staff or referred to a committee of

Council. In most States there are serious consequences for Councils if they do not comply with the processes for decision making set down by the States.

Local councils exercise their development assessment functions by assessing applications for development and granting approval, granting approval with conditions, or refusing an application. Many stakeholders often refer to the processes as 'development approval' processes. By doing so, there is an implicit assumption that all or any application should be approved. This is not always the case, as local councils also have the power to refuse an application if it fails to meet the conditions of its planning scheme or development controls, or to approve a development application with conditions if it believes the proposal should proceed but with some variation to ameliorate its external effects. These decisions are usually made by professional staff and are generally appealable to Council for review or in some cases can be appealed to an external body established by the State, such as the Land and Environment Court in NSW or the Civil and Administrative Appeals Tribunal in Victoria.

Almost all States are currently undertaking reviews of their planning systems and/or development assessment processes to improve their transparency and efficiency. The following States in particular:

NSW:

<http://www.iplan.nsw.gov.au/taskforce.php>

SA:

<http://www.planning.sa.gov.au/bdp/index.html>

Tasmania:

<http://www.dpiwe.tas.gov.au/inter.nsf/WebPages/JCOK-5DVA3Y?open>

Victoria:

http://www.dse.vic.gov.au/web/root/domino/cm_da/nrenpl.nsf/frameset/DSE+Planning?OpenDocument

Many of these reviews are aimed at improving the operation of local planning and development assessment systems and local government in the respective jurisdictions is a key player in those reforms.

We do not believe that complaints about the planning and development assessment systems are valid. While there may be individual cases where a decision on a major new housing development has taken longer than originally anticipated or delayed for some reason, it is important to understand that local Councils are required by State law to obtain the necessary approvals or concurrence from a range of agencies and the time frames for these are not always within the Council's power to control.

4.3 The efficiency and transparency of taxes, levies and charges imposed at all stages of the housing supply chain;

Council rates are a form of property taxation for local government and are the major source of local government revenue for most local governments. Rates

contribute to housing occupancy costs and hence affordability. Variations in rates are also a contributing factor in deciding where to purchase for most home buyers, including first home buyers contemplating purchasing an existing dwelling. Property values generally play an important part in determining how much each individual ratepayer contributes. An “ad valorem” principle applies which means that the higher the value of the property, the higher the amount to be paid in the form of rates while the level of the levy is set within parameters determined by the States. Rates vary enormously due to differences between urban, rural and remote locations, variations in the cost of providing services, as well as the local government’s ability to levy charges.

Local government rates are not a fee for service. As council rates are a system of taxation the rates paid do not directly relate to the services used by each ratepayer. Each council provides a unique range of services for its local area and different areas have different needs and priorities. This provides each council with the challenge to:

- raise sufficient revenue so it can provide an appropriate level of goods and services for its area; and
- equitably distribute the rate burden across its ratepayers, taking account of the principles of taxation.

The principles of taxation include equity, the benefit principle, the ability to pay principle, the efficiency principle, and the simplicity principle. Local Government must balance and weigh up the application of these overlapping principles with the need to raise revenue to meet local expectations.

Variations in rates between local government areas has several impacts for housing investment, including for example, the impacts of increasing rates in new residential areas (Purdon and Burke 1991:40).

Rate rebates are a State based initiative and are the second largest housing related recurrent program in any State after public housing rent rebates. In most States, both spheres of government are involved in financing pensioner rate rebates, with local governments making a voluntary contribution (except in NSW where its contribution is mandatory). This represents the major and most conspicuous involvement of local government in housing assistance throughout Australia. There is potential for rate rebates to be used as an incentive to the provision of affordable housing for particular target groups. For example, rate rebates could be given to owners of commercial premises who convert ‘shop tops’ into flats for first home buyers (Purdon and Burke 1991:43)

Local government also imposes charges for processing development and building applications. There have been no systematic attempts in recent years by any sphere of government or research establishment to identify the costs of local government’s regulatory activities in relation to planning, development and building. It is over 15 years since any estimate was made of the proportion of local government expenditure allocated to planning and building control. In 1988 Graham (1988:14) estimated that between one and two percent of local government’s annual expenditure is allocated to planning and building control, and these proportions are sure to have changed since then.

Any discussion about local government's fees and charges for its planning and development assessment functions must take account of the fact that they are not set to recover the full costs incurred. Despite moves by other agencies and government corporations over the past decade or so to move toward full cost recovery for services provided, local government has not done so, partly because of the complexity of trying to estimate the costs incurred for each individual application varies depending on the complexity of the application, and partly because in many jurisdictions the fees or charges are controlled by State Governments and local government does not have any discretion to depart from those charges.

In most jurisdictions, local Councils are also required to levy a developer contribution toward the cost of providing basic infrastructure to new developments, including residential developments. These charges are generally based on full cost recovery for the additional infrastructure required to service the development and are closely regulated by the State Governments. Generally, local Councils have limited discretion to vary the way in which the charges are calculated.

It is worth noting however, that for some new residential developments the developers themselves voluntarily go beyond the minimum requirements set by Councils and provide fully embellished parks and public landscaping, children's playgrounds, higher quality fencing or screening, other community facilities including recreation facilities, and sometimes local or regional shopping facilities sometimes well ahead of viable threshold demand levels. These are included to enhance the attraction of the estate as a place to live and hence improve its marketing. These facilities all add to the underlying cost of a block of land for housing because they have to be paid for. Property developers would not provide them if they are not required to unless there is some return on their investment.

4.4 The efficiency, structure and role of the land development industry and its relationship with the dwelling construction industry and how this may be affected by government regulations

ALGA has no comments to make on this matter because local government does not regulate the land development and dwelling construction industries. Although it should be noted that local government's role in the provision of infrastructure varies significantly from state to state. Local government is generally responsible for the provision of local roads, recreation facilities, sewerage and drainage, and for protection of the local environment. It sets the standards for these services and facilities. Its role in relation to social infrastructure has increased over time, partly in response to State and Commonwealth governments passing more responsibilities to local government, and partly in response to local pressures.

As highlighted by the National Housing Strategy (Purdon and Burke 1991:37), the provision of infrastructure for urban development (including housing) raises several issues, including:

- the increasing cost of infrastructure provision;
- who pays for infrastructure provision, and how is it paid for;

- the efficient provision of infrastructure including the utilisation of existing services and the expansion of those services;
- timing of provision and the resultant impact on costs;
- coordination of service provision and the involvement of local governments in those processes;
- lack of data on either local costs, extent of underutilisation or local needs; and
- standards of provision.

Local government has an interest in each of these issues, but is not necessarily primarily responsible for setting all the relevant policy or regulatory frameworks.

As noted above, there has been an overall tendency over the last two to three decades to move from a 'community pays' approach to basic infrastructure for new developments, to a 'user pays' approach.

Some of these issues were examined by the Australian Urban and regional Development Review (AURDR 1994) and the Indicative Planning Council for the Housing Industry (IPC 1996a and b).

4.5 The effect of standards, specifications, approval and title requirements on costs and choice in new dwelling construction

As with other spheres of government, local government is grappling with the tension between sustainability and affordability. Local councils are well aware of the fact that changes in regulations and minimum requirements can impact on cost. Through the Cities for Climate Change Program conducted by the Commonwealth, local Councils are being encouraged to reduce greenhouse gas emissions, and one of the ways this can be achieved is to improve the energy efficiency of new and existing buildings and residences.

One of the areas where there has been considerable change in standards and specifications, is that relating to energy use and the subsequent generation of greenhouse gas emissions. Through initiatives such as the Australian Model Code for Residential Development (AMCORD), Australia's Guide to Good Residential Design (DES&T and NOLG n.d.), and Healthy Homes: A guide to indoor air quality in the home for buyers, builders and renovators (DH&A 2002), and a range of other initiatives there is a growing community awareness of the need for more sustainable development. Local government is responding to these challenges by introducing new measures, often with the backing of the appropriate utility agency, infrastructure provider or industry bodies, to improve the overall energy and sustainability of residential design, building and renovation. For example, through requiring the installation of water saving devices such as dual flushing toilets or water saving shower roses, the installation of water tanks to catch stormwater run-off from roof tops for external or grey water uses. All of these measures, while aimed at improving the overall sustainability of urban development, including housing and renovations in the existing housing stock, all have cost implications. In some areas local government may have some discretion in introducing new requirements, in other areas they do not. In most if not all cases, the changes in standards or

requirements aimed at improving energy consumption and overall sustainability are being introduced in response to community expectations.

4.6 The operation of the total housing market, with specific reference to the availability of a range of public and private housing types, the demand for housing, and the efficiency of use of the existing residential housing stock

As discussed in Part 2 of the submission, local government is not a major direct provider of new or redeveloped housing in the private or public sectors. However, in some existing urban areas it can play a major role in the redevelopment or rejuvenation of existing residential areas through its planning and development policies and guidelines. The research conducted by Briggs Brindle Chambers (BBC) and Planning Integration Consultants (PIC) for ALGA in 1995 found that many councils were not fully aware of the extent to which their local planning and development policies were impacting on housing outcomes in their area. For this reason, ALGA has been advocating the development of local housing strategies so that councils can become more aware of the impact of their functions and policies on housing.

In terms of housing markets, one area of concern to many local Councils outside the major metropolitan centres in rural areas is the failure of the housing market to respond to changes in local housing needs. For example, in many rural areas banks and other traditional housing finance providers are reluctant to provide housing finance because of negative attitudes about lending in rural areas and higher costs. These attitudes sometimes impede local economic development initiatives and exacerbate the shortage of housing in rural areas.

Another area of concern to local government is the 'on again – off again' approaches by other spheres of government to local government involvement in housing programs. For example, over the last decade or two, Commonwealth and State/Territory government have created and abolished several housing programs that included as part of their objectives a greater level of local government involvement in the direct provision of housing. The underlying purposes of the various programs or initiatives included improving housing affordability for first home buyers or increasing the range of housing options available to those who, for whatever reasons, were unable to enter the home buyer market and their needs could not be met by the private rental market or conventional forms of public housing. This 'on again – off again' approach to government programs is disconcerting and confusing and in the long run discourages local government from wanting to be involved in any future initiatives.

Recommendations

ALGA recommends that, in assessing policy responses to assist affordability for first home buyers, the Productivity Commission:

- Note that local government's planning policies and development assessment processes have played a very minor role in recent house price increases;

- Recognise that local government is not able to recover the full cost of its planning and development assessment functions through fees and charges for a variety of reasons;
- Undertake research into the costs of planning and development assessment functions and their impact on house/dwelling prices;
- Recognise and support the development of local/regional housing strategies to enable other stakeholders and local government to better understand local housing circumstances and to develop appropriate responses to the full range of local or regional housing needs;
- Recognise the value of the research and reforms that have been undertaken under the auspices of the Development Assessment Forum.
- Recognise there is scope for continuous improvement in planning and development assessment processes and note that the value of the Development Assessment Forum as a forum for bringing the three spheres of government, the various industry bodies and professional associations together.

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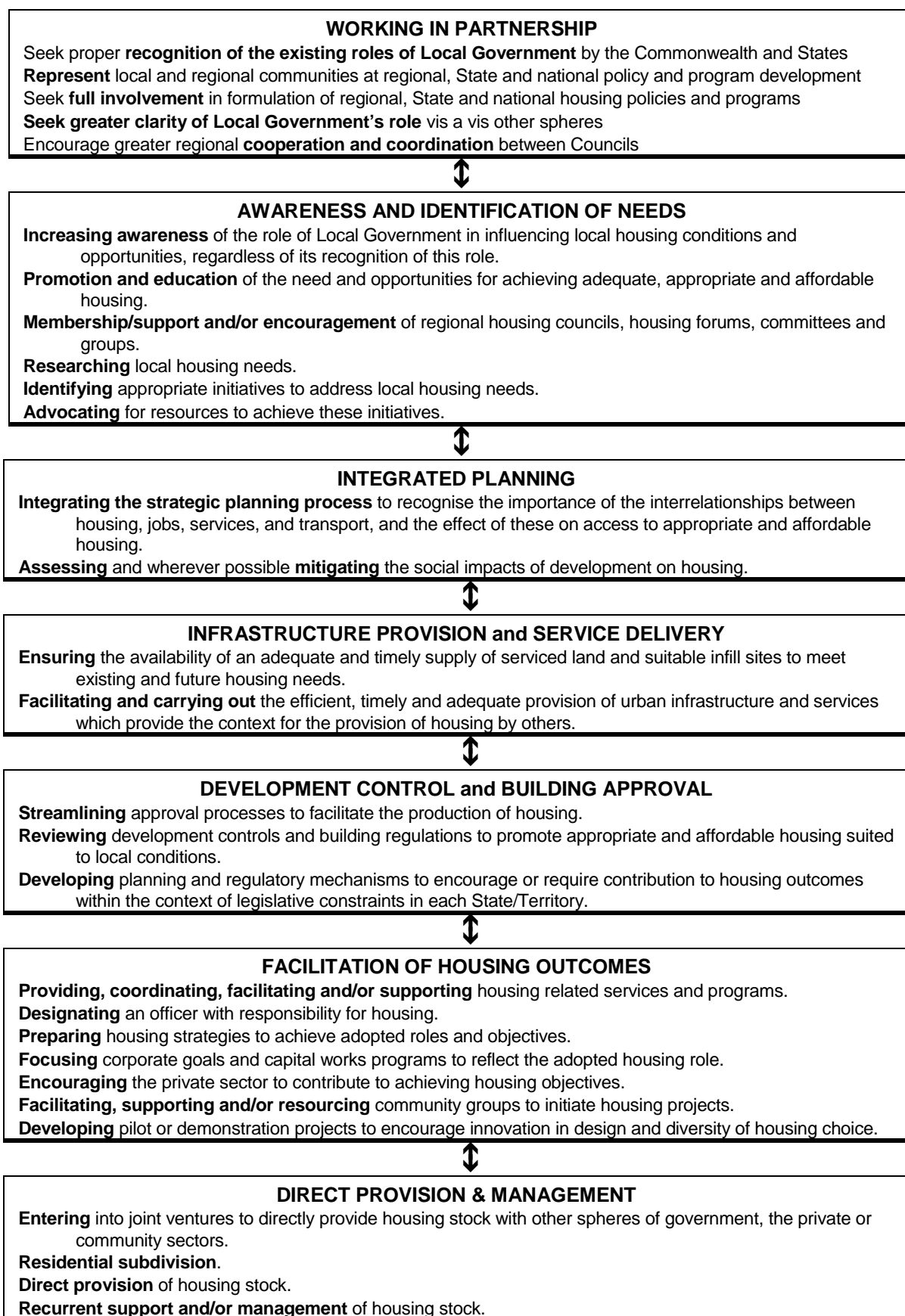
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APPENDIX 1

FIGURE 1. CONTINUUM OF LOCAL GOVERNMENT ROLES IN HOUSING



Adapted from: BBC Consulting Planners and Planning Integration Consultants 1999