



**Government
of South Australia**

Department of Treasury
and Finance

Amendments to the Housing Australia Investment Mandate Direction

Submission from the South Australian Department of
Treasury and Finance

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Introduction

1. The South Australian Department of Treasury and Finance (DTF) welcomes the opportunity to make this submission to the Commonwealth Treasury for its consideration as part of consultation on the Amendments to the Housing Australia Investment Mandate Direction (IM).
2. The content of this submission reflects an official-level view of DTF, in consultation with the South Australian Housing Authority and Renewal SA.
3. DTF recommends the following advice and changes be considered, which will assist the Commonwealth in the equitable and efficient delivery of the Housing Australia Future Fund (HAFF).
4. DTF's feedback is addressed under the following three broad themes: Definitions and eligibility, Criteria for financing decisions, General matters.

Definitions and eligibility

Affordable housing definition

5. The Explanatory Statement accompanying the IM defines the 10,000 affordable homes as being:
 - (a) *"...generally used to refer to a range of housing types that seek to reduce or eliminate housing stress for low to moderate income households, where housing stress is typically defined as spending more than 30 per cent of household income on housing costs. This can include rental housing offered at below-market rent and pathways to home ownership for low to medium income households (such as shared equity arrangements or subsidised loans)"* (page 10).
6. For the purpose of the National Housing Accord (Accord), it was agreed that states and territories were able to adopt their own definition of 'affordable'. This is to achieve

flexibility in light of varying income levels and housing market conditions across the nation.

7. To enable similar flexibility with the HAFF, DTF recommends the same approach be taken for the IM, where differing 'affordable' housing definitions are used on a locational basis.

Eligibility

8. DTF welcomes the eligibility of states and territories as the recipients of HAFF financing.
9. DTF requests more clarity be given in the IM on what constitutes a housing outcome that is countable towards the 30,000 new social and affordable homes objective, including what the minimum amount of financial support from Housing Australia per outcome can be.
10. Mandatory criteria for eligibility for loans and grants are specified in proposed clause 28D of the IM. It is recommended that 28D(e) be amended to create balance between value for money and addressing housing need (for example, to ensure that housing for vulnerable groups and those on lower incomes is not excluded in the sole pursuit of value for money). Suggested wording changes are given in red font.

"the project delivers value for money, in terms of the amount of housing delivered – and the extent to which it addresses specific needs – as compared to the amount of government support provided."

11. DTF requests the IM be amended to provided clarity on whether projects are eligible to receive both HAFF Facility ("HAFFF") and National Housing Accord Facility (NHAF) finance.
12. DTF understand the Work, Health and Safety (WHS) Accreditation Scheme may apply in the case of HAFFF or NHAF financing for a project. There are currently a limited number of builders nominated under the WHS Accreditation Scheme in South Australia.
13. DTF recommends an exemption to the WHS Accreditation Scheme be granted for head contractors used on building works related to HAFFF and NHAF projects to ensure delivery of the homes is not put at risk.

Criteria for financing decisions

14. Proposed clause 28J sets out matters to be considered when making a financing decision under the HAFF. DTF recommends the removal of 28J(1)(g): *"whether finance under the HAFFF would complement, leverage or support other State or Territory finance or activities."*
15. Delivery of 30,000 new social and affordable homes under the HAFF was a Commonwealth commitment under the Accord. During the negotiation of the Accord, there was no indication that state or territory financing would be sought as co-contributions towards HAFF projects.
16. Moreover, this criterion implies that states and territories would be required to compete against each other, where proposed projects with higher state or territory contributions (in the form of cash or land) would be more likely to be approved for HAFF finance, if the project could be made viable with a lower level of HAFF subsidy (through the availability payment). The quantum of state or territory contribution required to achieve HAFF

subsidy is unknown, as it would only become clear, following the outcome of each funding round, whether a contribution offered would be sufficient or not.

17. This uncertainty would create difficulties for states and territories to balance the amount of support that might be required, and to compare (in terms of the cost per dwelling outcome) against other housing projects which states and territories are already committed to deliver. This would lead to inefficient and suboptimal allocation of state and territory resources.
18. Therefore, it is not considered appropriate that financing decisions under the HAFF should be influenced by a consideration to complement, leverage or support other State or Territory finance or activities. DTF recommends that this criterion be removed.

General matters

19. DTF recommends that the policy and implementation framework to support the HAFF needs to have the flexibility to ensure that a balance is achieved across Australia, which provides sufficient flexibility to respond to the unique nuances of respective states' housing needs and policy environments. DTF notes a risk of residual housing pressures and service gaps if a uniform approach is taken across the nation which preferences the lowest cost to the Commonwealth.
20. DTF acknowledges the announcement of the HAFF in 2022 has generated broad interest and led to the strategic orientation of private sector projects towards HAFF. In light of this, it is encouraged that Housing Australia acts expeditiously in the assessment of projects in the first round of procurement.
21. DTF recommends that innovative methods and milestones should be developed by Housing Australia to ensure early decisions to proceed (or not) are advised to States and Territories, particularly on projects currently on a critical path for delivery.
22. To assist in the efficient assessment of projects, DTF offers continued engagement with the Commonwealth Treasury and Housing Australia and the offer of assistance in the assessment of projects.