

PART 2: THE COAG REFORM AGENDA

This part highlights the importance of implementing modern federal arrangements and outlines the role that the Council of Australian Governments (COAG) will play in driving a new wave of economic and social reform through cooperative federalism.

MODERN FEDERALISM

Modernising Australia's federal relations is an important step in the Government's long-term plans to:

- create more effective markets for resources;
- reduce costly waste and duplication in service delivery;
- deliver better services for all Australians, wherever they live;
- develop human capital;
- increase labour force participation;
- build national productivity;
- increase our international competitiveness; and
- move towards a seamless national economy.

Blurred roles and responsibilities between levels of government, as well as duplication and overlap, have been costly aspects of Australia's federal system, particularly where they have undermined accountability through cost-shifting. Many of the significant challenges facing the Australian economy can only be addressed through more effective Commonwealth-State working arrangements.

Accordingly, one of the Government's first actions after coming to office was to convene a COAG meeting. COAG is the peak intergovernmental forum in Australia, comprising the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. For the first time in more than a decade, the Commonwealth and State Treasurers attended the December 2007 COAG meeting and will continue to attend COAG meetings, in recognition of the importance of the new framework for federal financial relations to underpin the COAG reform agenda.

Highlighting the urgency to progress national reforms that build the economy's productive capacity, COAG will now meet more regularly, including four times

in 2008. A reinvigorated COAG process will drive a revitalised and far-sighted reform agenda to enhance the productive capacity of the economy, deliver a higher quality of service to the Australian community, enhance sustainability, address social inclusion and close the gap in Indigenous disadvantage.

COAG has committed to implement a new model of cooperation. Crucial to this commitment is COAG's decision to change the framework for federal financial relations, with a key reform priority being to modernise payments for specific purposes.

COAG also established seven new working groups to develop a work agenda of economic and social reforms during 2008. Each working group is chaired by a Commonwealth Minister and includes senior officials from all jurisdictions. The work agenda covers the areas of:

- health and ageing;
- the productivity agenda (education, skills, training and early childhood);
- climate change and water;
- infrastructure;
- business regulation and competition;
- housing; and
- Indigenous reform.

These are all issues of national importance where progress can only be achieved through coordinated effort on the part of all governments working cooperatively.

A reinvigorated and cooperative COAG process will substantially advance the modern federalism agenda and drive a new era of reforms to underpin growth, prosperity and social cohesion into the future.

A NEW FRAMEWORK FOR FEDERAL FINANCIAL RELATIONS

The reform context

Since the first days of federation, the Commonwealth has provided financial support to the States. Today, the States receive all GST revenue and more than 90 different payments for specific purposes. Each of these payments generally has its own negotiating, administrative and monitoring processes. The proliferation of these

payments since the 1970s has been a source of increasingly blurred roles and responsibilities, duplication and overlap, higher administration costs and cost-shifting.

These payments are also subject to conditions which the Commonwealth imposed on the States to dictate the way that funding was to be used. For example, the Commonwealth used conditions known as input controls that limited the States' flexibility in how they allocated funding or pursued policy objectives.

This overly prescriptive approach constrains the States' innovation in service delivery and leads to each level of government blaming the other for instances of poor service delivery and inadequate funding.

The resulting inefficiencies in public sector service delivery have been a drag on our national economy and impede the provision of better services to the community.

The new direction

On 26 March 2008, COAG agreed to implement a new framework for federal financial relations. The focus of the new framework is on significantly reducing Commonwealth prescriptions on service delivery by the States, in conjunction with clearer roles and responsibilities and outcomes-based public accountability. This will result in:

- increased flexibility for resources to be allocated to areas where they will produce the best overall outcomes for the community;
- genuinely collaborative working arrangements, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, to facilitate a long-term policy focus and reduce blame and cost shifting;
- stronger incentives for wide-ranging reforms;
- increased accountability of governments to the community; and
- reduced administration and compliance overheads.

The new framework will provide the States with the flexibility they need for the efficient delivery of high quality services, while ensuring that the appropriate level of government is accountable to the public for the money it spends and the services it delivers. In addition, the Commonwealth will provide a new form of payment – National Partnership payments – to facilitate or reward priority national reforms or to fund specific projects.

Box 2.1: The benefits of reforming the federal financial framework

The reforms to the federal financial framework will result in significant ongoing economic and social benefits.

Substantial benefits will flow from the cooperative aspects of federalism because working together more cooperatively to resolve issues will reduce administration and compliance costs, which frees up resources which can then be available for other, more productive, uses. It should also reduce counter-productive behaviours such as cost-shifting.

- For example, the negotiation of mutually-agreed policy objectives, more clearly defining the roles and responsibilities of each level of government and rationalising the myriad of payment arrangements that currently exist, will clarify accountabilities. This will lead to a better alignment between Commonwealth and State programs and increased transparency for the community.

Another source of economic benefit, and one that is less obvious but nevertheless has the potential to generate significant productivity gains in public sector service delivery, will flow from the competitive aspects of federalism.

- The increased autonomy which the States will have over how they deliver their services, within the context of the mutually-agreed national objectives, is expected to lead to different modes of service delivery between the States — resulting in services that better suit the requirements of local communities.
- Because the accountability of the States will also be enhanced, the increased freedom in delivering services should lead to more innovative methods of service delivery, which may then be adopted by other jurisdictions.
- Over time, it could be expected that increased competition between the States will lead to service delivery which is more cost-effective and better meets community needs. The result will be increased productivity and improved services.

The new framework for federal financial relations will commence on 1 January 2009 (the reform of healthcare funding will commence on 1 July 2009), with all aspects actively monitored by COAG. A new Intergovernmental Agreement will be developed to underpin the new framework and entrench the concept and practice of cooperative working relationships between governments.

The new framework for federal financial relations is based on five key elements.

Rationalisation

The Commonwealth will significantly reduce the number of payments for specific purposes, without reducing the overall quantum of payments. The States will continue to receive all GST revenue, but payments for specific purposes (which currently number more than 90) will be rationalised into:

- five or six new specific purpose payments (SPPs) supported by new national agreements in the areas of:
 - healthcare;
 - early childhood development and schools;
 - vocational education and training;
 - disabilities services; and
 - affordable housing.
- some general revenue assistance in respect of payments where there are no compelling national objectives associated with the payment;
 - these include payments without conditions, such as payments to Western Australia and the Northern Territory for offshore petroleum royalties and mining royalties respectively;
- National Partnership payments to support the delivery of specified projects and facilitate or reward reforms.

Greater flexibility

The States will have greater flexibility to direct their resources to areas where they will produce the best results. The Commonwealth will move away from the overly prescriptive approach of the past, by significantly reducing the conditions which inhibit State service delivery and priority setting. Rather than dictating how things should be done, there will be a rigorous focus on the achievement of outcomes – that is, reaching mutual agreement on what services the States deliver that improve the well-being of Australians, without stipulating precisely how the States achieve the outcomes or deliver services.

Central to each of the new national SPPs will be a mutually-agreed Statement of Objectives and Outcomes. The statement will set out:

- what the Commonwealth and the States expect to achieve from their joint involvement – the objectives and expected outcomes, including a new focus on enhancing social inclusion and addressing Indigenous disadvantage;

- the role of each jurisdiction, the responsibilities they undertake to be accountable for, and the outputs they will deliver;
- performance indicators and benchmarks which will inform the community about how governments are progressing towards achieving the stated objectives; and
- policy and reform directions.

Funding

The Commonwealth will provide greater funding certainty to the States. The new national agreements will be ongoing, with periodic reviews to ensure the maintenance of funding adequacy and the relevance of objectives.

Importantly, the overall funding arrangements for the new national SPPs and the reform-based National Partnership payments will be negotiated as one financial package by Treasurers, through the Ministerial Council for Commonwealth-State Financial Relations, for endorsement by COAG. This will allow portfolio ministers to focus on the policy aspects of delivering more effective and efficient services. While the level of funding will have regard to the policy objectives, the new framework places policy – not funding – front and foremost.

All payments will be centrally processed by the Australian Treasury and paid direct to each State treasury. State treasuries will be responsible for distributing the funding within their jurisdiction. Payments are currently provided by Commonwealth portfolio departments to the relevant state agencies, and each payment has its own payment and administrative arrangements. Central administration will further simplify payments to the States, aid transparency and improve the States' budget processes.

The initial overall funding package, including base funding and appropriate growth factors for the new national SPPs, and funding for the new incentive-based National Partnership reform payments, will be negotiated later in the year. Nevertheless, the Commonwealth has provided a clear commitment that no State will be worse off overall than they would be under the current arrangements and that National Partnership reform payments will be in addition to existing payments.

Accountability

Central to the new framework for federal financial relations is improved accountability. The new framework will, over time, improve service delivery by ensuring that the appropriate government is held accountable – not just for the dollars it spends, but more importantly for the quality and efficiency of the services it delivers and the outcomes it achieves.

Accountability will be enhanced through simpler, standardised and more timely and transparent public performance reporting, underpinned by clearer roles and

responsibilities. The new reporting framework will focus on the achievement of results, value for money and timely provision of publicly available performance information. This will assist the community in holding their political leaders accountable for their performance. The States will be accountable for improved service delivery and the Commonwealth is committed to providing national leadership, an adequate financial contribution and additional incentive payments to facilitate and reward reform.

The new reporting framework will reinforce the accountability of the State governments to their own communities for their service delivery performances.

National Partnership payments

A central element of the new framework is the provision of new incentive payments to drive reforms. The Commonwealth will provide National Partnership payments to the States to support the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms.

Some existing payments for specific purposes will become National Partnership **project** payments where they support national objectives and provide a financial contribution to the States to deliver specific projects – for example, the Commonwealth will provide its financial contribution to the States’ land transport projects through AusLink National Partnership payments.

The Government also recognises the need to support the States to undertake priority reforms. Consequently, when an area emerges as a national priority, National Partnership **facilitation** payments may be used to assist a State to lift standards of service delivery.

National Partnership **reward** payments will be provided to the States which deliver reform progress. These reward payments will be structured in a way that encourages the achievement of ambitious performance benchmarks. The achievement of these benchmarks will be assessed by the independent COAG Reform Council, in order to provide transparency and enhance accountability in the performance assessment process.

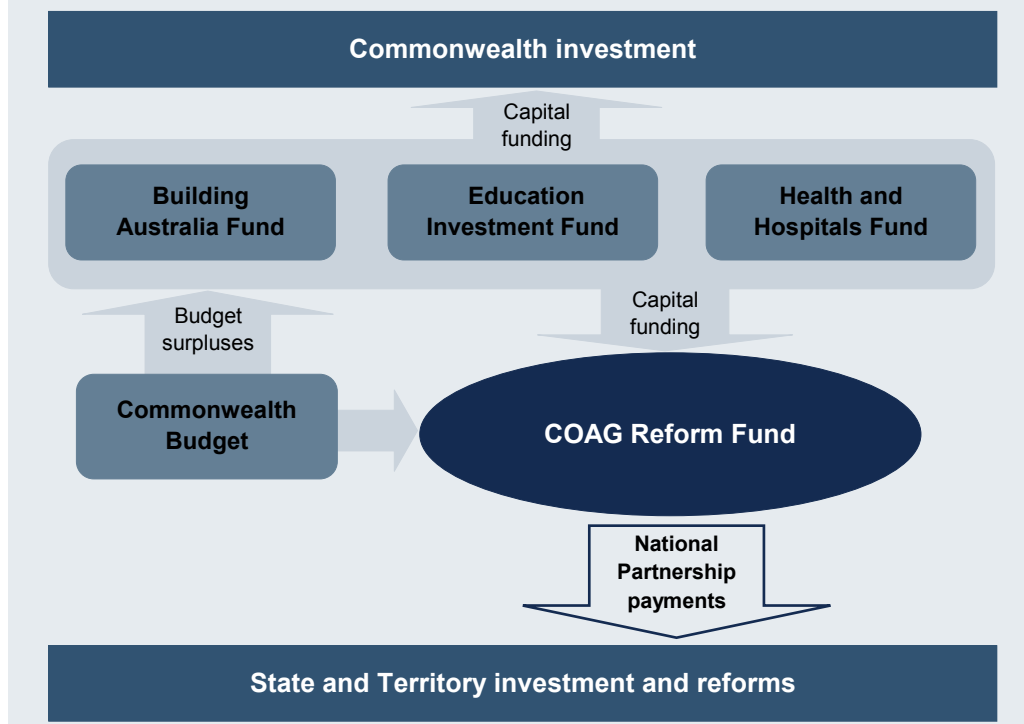
The Government’s commitment to using the new financial framework to drive national reforms is shown by the establishment of the COAG Reform Fund. The Fund will be used to channel National Partnership reform payments to the States.

Box 2.2: COAG Reform Fund to finance National Partnership payments

Many of the significant challenges facing the Australian economy can only be addressed through more effective federal working arrangements. Through COAG, the Government is working closely with the States to deliver better services and produce the right outcomes on matters that affect the daily lives of Australians – including in the areas of infrastructure, education and skills, and health and ageing.

A new COAG Reform Fund will receive contributions directly from the Commonwealth Budget as well as from three other funds being set up by the Government for capital investment – the Building Australia Fund; Education Investment Fund; and Health and Hospitals Fund. The purpose of these funds, which are to be financed largely from future budget surpluses, is to underpin future progress on investment and reforms in these key sectors. Where the investments are to be undertaken by the States, and the Commonwealth has agreed to fund these, the funding will be provided through the COAG Reform Fund in the form of National Partnership payments.

To ensure that total capital spending from the funds is consistent with the Government’s macroeconomic goals, the Australian Loan Council will provide advice on whether the combined spending envelope of both the Commonwealth and the States can be delivered in prevailing economic conditions without putting at risk the Government’s inflation target. The Australian Loan Council will not approve or advise on individual infrastructure projects.



A NEW ERA OF ECONOMIC AND SOCIAL REFORM

The new framework for federal financial relations, while significant, is not an end in itself. The new framework provides the foundation for far-reaching economic and social reforms to be undertaken as part of COAG's work program.

In March 2008, COAG committed to a comprehensive new economic reform agenda for Australia, with a particular focus on healthcare, water resources, regulatory and competition reform and the broader productivity agenda. The COAG reform agenda will expand the productive capacity of the economy, deliver a higher quality of service to the Australian community, enhance sustainability, address social inclusion and close the gap on Indigenous disadvantage.

The COAG reform agenda is underpinned by a shared commitment to clear goals, genuinely cooperative working arrangements and the improved governance and funding framework needed to deliver real reform. A fresh spirit of goodwill has delivered agreements in areas unresolved by COAG for too long. COAG will move on from the 'blame game' to make federalism work, to deliver real outcomes in the national interest.

The Government's election commitments are an integral part of the reform agenda. But those commitments are broader than can be achieved by the Commonwealth acting alone. The major challenges facing the economy are all issues that need to be addressed through a reinvigorated and cooperative COAG – the Commonwealth working in partnership with the States.

That is why the Government's election commitments are not confined to areas that the Commonwealth has sole responsibility for, and would therefore be able to improve on its own. The States will be important partners in developing and delivering the reform agenda.

Health and Ageing

COAG is pursuing an ambitious reform agenda, including developing a new national healthcare agreement which encompasses preventative health, Indigenous health, primary care, aged care and hospitals. The new agreement will clarify the roles and responsibilities of all levels of government and establish a shared vision for the health system. Under this agreement, all jurisdictions will have their performance measured and reported to the community. The new agreement will also allow jurisdictions to move to a nationally-consistent approach for activity-based funding for services provided in public hospitals.

Health

The Government is committed to relieving the pressure on public hospitals, providing faster access to medical treatments for all Australians, increasing the focus of health

policy on prevention, and building an adequate and efficient health workforce. The Government will implement many of its election commitments and reform measures through COAG.

COAG will be assisted by the National Health and Hospitals Reform Commission. The Commission will advise on performance benchmarks, reforms to the Australian health system and a long-term health reform plan. The Commission's recommendations for sustainable improvements in the performance of the health system are due by June 2009.

Reflecting its commitment to improving health outcomes, the Commonwealth:

- has committed to an immediate allocation of \$1 billion to the States to relieve pressure on public hospitals – an upfront payment of \$500 million of this will be provided to the States before 30 June 2008;
- will provide up to \$600 million to reduce elective surgery waiting lists, including \$150 million to conduct an additional 25,000 procedures in 2008; and
- will provide \$275.5 million over five years for infrastructure to establish general practice super clinics for general practitioners and other health professionals to work together in the one place, which will relieve the pressure on hospitals, particularly emergency departments.

The Government will establish a Health and Hospitals Fund for investment in health facilities, including renewal and refurbishment of hospitals, medical technology equipment and major medical research facilities and projects. Subject to final budget outcomes, the Government will make an initial contribution of around \$10 billion from the 2007-08 and 2008-09 Budget surpluses, once realised. Both the capital and the earnings of the fund will be fully drawn down over time, once specific projects are identified. Drawdowns from the Health and Hospitals Fund will not occur before 2009-10. Funding for specific projects will be subject to rigorous appraisal criteria. This arrangement ensures that this substantial funding is available for capital investment in health and hospitals over the next few years. The Government will not proceed with the Health and Medical Investment Fund announced by the former Government.

The Government is committed to improving access to dental treatment and will work with the States to address Australia's dental crisis:

- the Commonwealth will replace the Medicare dental scheme with a \$290 million Dental Health Program that will bring relief for up to 650,000 people on public dental waiting lists around the country; and
- the Commonwealth will provide \$490.7 million over five years for a new Teen Dental Plan to assist up to 1.1 million eligible teenagers aged 12 to 17 with a \$150 annual dental rebate for dental check-up costs.

The Government has implemented several measures to boost health workforce participation in the short term and long term. It will:

- provide a \$6,000 incentive for every eligible nurse to return to work; and
- fund up to an additional 50,000 vocational training places to address areas of shortage.

In addition, the Commonwealth has signed an agreement with the States that will, for the first time, create a single national registration and accreditation system for nine health professions: medical practitioners; nurses and midwives; pharmacists; physiotherapists; psychologists; osteopaths; chiropractors; optometrists; and dentists (including dental hygienists, dental prosthetists and dental therapists). The new arrangement will help health professionals move around the country more easily, reduce red tape, provide greater safeguards for the public and promote a more flexible, responsive and sustainable health workforce. For example, the new scheme will maintain a public national register for each health profession which will ensure that a professional who has been banned from practising in one jurisdiction is unable to practise elsewhere in Australia.

Ageing

Greater cooperation between all three levels of government will also improve the financing of services for the aged and people with disabilities. Currently, the Commonwealth makes several payments to state and local governments for these services, as well as delivering its own programs, while providing a separate payment for hospital services. These arrangements exacerbate cost-shifting because of a lack of coordination and can result in barriers to continuity of care for the aged. They waste money which could be better spent on improved services and makes it difficult for people to navigate the system of public services when they leave hospital and need extra care. As a result, they sometimes have to stay in hospital longer than necessary.

Through implementing the new framework for federal financial relations, the health and aged care systems will benefit from better integration. The new national healthcare agreement will enshrine the principle of better integration by explicitly taking aged care into account, along with hospital funding.

The Government is also implementing some of its election commitments in partnership with the States to help create a more seamless delivery of these services. The Commonwealth will fully fund, and the States will operate, 2,000 new transitional care places to help provide care for older people leaving hospital, at a cost of \$293 million over four years. This measure is designed to help frail older Australians leave hospital more quickly and free up hospital beds.

The productivity agenda

Substantial reform of Australia's education and training systems is required to provide quality learning opportunities for all Australians, reduce entrenched disadvantage in Indigenous and other communities, and help boost productivity and participation in the economy.

To achieve the aims for reform outlined above, COAG is developing a substantial reform agenda in the areas of early childhood development, schooling, and skills and workforce development.

At the centre of the education reform plan will be new national agreements in respect of early childhood development and schools, and vocational education and training, with additional National Partnership payments to support systemic reforms in the delivery of education services.

COAG has also developed implementation plans for the Government's election commitments, including:

- universal access to early childhood education for children in the year before formal schooling;
- the \$2.5 billion *Trade Training Centres in Schools Program*;
- the \$1.2 billion *Digital Education Revolution*; and
- up to an additional 630,000 training places over five years under the \$1.9 billion *Skilling Australia for the Future* policy.

COAG has agreed to a set of aspirations, outcomes, progress measures and future policy directions in the key areas of early childhood, schooling and skills and workforce development. These agreed objectives will form the basis of a substantive further reform agenda to be developed over the course of 2008.

COAG also agreed at its March 2008 meeting to develop, as a high priority, a National Partnership payment focusing on the particular educational needs of low socio-economic status school communities.

In order to guarantee funding for this long-term productivity agenda, the Government will establish an Education Investment Fund, which absorbs and extends the Higher Education Endowment Fund. The Education Investment Fund will provide financing for investment in higher education and vocational education and training facilities. Subject to final budget outcomes for 2007-08 and 2008-09, the Government will make an initial contribution to the fund of around \$5 billion, bringing the total size of the fund to around \$11 billion. The capital and the earnings of the fund will be drawn down over time to invest in the nation's future education and training needs, with funding for specific projects subject to rigorous appraisal criteria. Under these

arrangements, the amount of funds available for capital investment in higher education and vocational education and training in coming years will be substantially greater than under the previous arrangements for the Higher Education Endowment Fund. Drawdowns from the Education Investment Fund will not occur before 2009-10.

Climate change and water

Climate change

Climate change is one of the greatest challenges that Australia faces. The Commonwealth is working cooperatively with the States to create a comprehensive national policy response that will seek to achieve a streamlined set of climate change measures, a coordinated approach to developing a national renewable energy target, a climate change adaptation strategy and effective energy efficiency measures.

COAG's development of a national renewable energy target provides the opportunity to deliver a national approach to encouraging renewable energy generation – helping remove distortions to business investment decisions and reducing red tape for businesses operating across borders.

COAG is developing a long-term national adaptation strategy to enable governments, business and the community to better understand and prepare for the impacts of climate change. COAG is also advancing options to accelerate the uptake of energy efficiency measures.

These measures, together with the introduction of the emissions trading scheme in 2010, are the Commonwealth's primary mechanism for reducing Australia's greenhouse gas emissions at least cost, and will result in Australia being well placed to face the challenge of climate change.

Water

The ongoing drought and climate change have highlighted the significant challenge that water scarcity poses, for both the Australian economy and the environment, and the urgent need to address this challenge.

The management of water resources is an issue of national importance. Cooperative partnerships between the Commonwealth and the States are key to addressing the water challenges across the country. In recognition of this, COAG will progress national water reforms, including a specific commitment to reform arrangements in the Murray-Darling Basin, which accounts for more than 70 per cent of irrigation water use in Australia.

The Commonwealth and the Murray-Darling Basin States have agreed on the need to implement cooperative and accountable governance arrangements. These arrangements will enable the effective management of whole-of-basin water resources,

which is needed to address over-allocation, restore the river system health and ensure the sustainable use of water into the future.

More broadly, COAG has also committed to a forward work program aimed at accelerating and updating the reform process, which was initially agreed under the National Water Initiative in 2004. These reforms are necessary to ensure that water use is sustainable and to enable available water to flow to its highest value use, through the development of a well functioning water market. In addition, COAG is progressing work to identify and address key challenges facing urban water supply. The renewed reform process represents a committed and cooperative approach by the Commonwealth and States to achieve the desired national outcomes.

Infrastructure

Australia's long-term productivity growth will be underpinned by the efficient provision and utilisation of infrastructure. Australia is currently operating at close to full capacity, and this is placing stress on the existing stock of infrastructure. This creates challenges for governments to ensure that new investments come on line in a timely and efficient manner.

The establishment of Infrastructure Australia will put in place an ongoing, cooperative process for the Commonwealth, States and industry to identify and prioritise infrastructure projects. Infrastructure Australia will develop improved processes for identifying and coordinating key national infrastructure. These processes will assist in ensuring that infrastructure investment is undertaken in those sectors of the economy and locations where it produces the greatest benefit.

Infrastructure Australia's immediate task is to audit the nation's infrastructure and produce, within 12 months, an infrastructure priorities list to guide future public and private investment. Infrastructure Australia will report regularly to COAG on progress with its infrastructure audit program as well as on policy and regulatory reforms that facilitate efficient infrastructure investment, including measures for achieving consistency across jurisdictions.

The Government will establish a fund to raise Australia's productive capacity – the Building Australia Fund. The fund will help finance the current shortfall in national transport and communications infrastructure. Subject to final budget outcomes, the Government will make a financial contribution to the fund from the 2007-08 and 2008-09 Budget surpluses, once realised. Both the capital and earnings of the fund will be drawn down over time, once specific infrastructure projects have been identified. Funding for specific projects will be subject to rigorous appraisal criteria. This arrangement ensures that substantial funding is available for capital investment in infrastructure projects over the next few years. The Communications Fund will be closed and its capital of \$2.4 billion absorbed into the Building Australia Fund to help finance the Government's commitment to invest in a National Broadband Network.

With the exception of funding for the National Broadband Network, drawdowns from the BAF will not occur from 2009-10.

Business regulation and competition

COAG has committed to a far-reaching and accelerated business regulation reform agenda to enhance productivity, innovation and workforce mobility, by cutting the costs of regulation, including:

- national harmonisation of occupational health and safety law;
- early action in twelve areas of regulation: environmental assessment and approvals; payroll tax administration; trade licences; healthcare workforce registration; national trade measurement; rail safety regulation; consumer policy; product safety; trustee companies; mortgage credit and advice; margin lending; and non-deposit taking institutions;
- accelerating the timetable for the reform of five other hot-spots: development assessment; building regulation; chemicals and plastics regulation; business names registration; and personal property securities; and
- nine new areas identified for reform: standard business reporting; food regulation; national mine safety; electronic conveyancing; upstream petroleum (oil and gas) regulation; maritime safety; wine labelling; directors' liabilities; and financial service delivery.

Regulatory reform will lift productivity growth by: reducing the cost to business of complying with government regulations; enhancing competitiveness; reducing the costs to taxpayers of government agencies monitoring and enforcing regulations; and increasing the rewards from effort, risk-taking, entrepreneurship and innovation.

Regulatory reform can also lift workforce participation, because rigidities in business regulations among the States can impede the mobility of labour. A highly mobile workforce allows workers to move from one location to another.

COAG has created the Business Regulation and Competition Working Group to develop options for further reforms. The working group will consider whether further improvements can be made to regulation-making and review, including processes to ensure no net increase in the regulatory burden, and common start dates for legislation. The working group will also turn its attention to progressing competition reforms, including the appropriate models for the future regulation of national markets and unfinished National Competition Policy business.

Housing

COAG has identified the decline in housing affordability as a pressing issue for Australians and recognised that improving affordability and access to housing, including in Indigenous communities, is critical to addressing financial stress and disadvantage. To ensure that all levels of government work together to improve housing affordability, COAG will develop a national affordable housing agreement, which builds on previous agreements and will include specific housing objectives for Indigenous Australians.

The key aspect of COAG's response to declining housing affordability is to deliver reforms that boost the supply of housing, which has not kept up with strong growth in demand. COAG's response is initially being addressed through five separate initiatives.

- The Commonwealth and the States are undertaking land audits, with the objective of identifying surplus land that could be developed to provide additional housing. In line with the audit, the Commonwealth's property disposal policy is being improved to ensure housing supply, community facilities and job creation opportunities are enhanced when land is placed on the market.
- The National Rental Affordability Scheme is being established to encourage the construction of affordable rental housing for households of limited means. The scheme will provide institutional investors with an annual \$6,000 tax credit (or grant, depending on eligibility) for 10 years, plus a \$2,000 annual contribution from the States for each new dwelling that they rent out to low income households at rates that are 20 per cent below the market level.
- The Housing Affordability Fund will reduce the cost of new homes, by lowering the burden of regulatory costs and infrastructure which are built into the purchase price. It will provide assistance to local governments to help reduce the costs of providing new housing-related infrastructure and improve planning and approval processes in order to generate savings for new home buyers – up to \$30 million of the fund is committed to rolling out electronic development assessments across the country to help speed up planning approval processes, with a priority focus on high growth areas.
- A National Housing Supply Council is being established to improve the evidence base for housing policy and program development, and to produce a State of Supply Report which coordinates research at local, state and national levels, to assess the supply of land and housing relative to expected demand.
- COAG has committed to halve the number of homeless people who are turned away from shelters within five years and improve social and community housing. *A Place to Call Home* is an initiative to support the neediest in society, through joint Commonwealth-State investment in 600 new houses and units for homeless people

across the nation. This is a cooperative initiative, with the Commonwealth contributing funding and the States contributing funding, land or management services.

Indigenous Reform

The Government's election commitments aim to address Indigenous disadvantage across a wide range of fronts. Successful implementation will depend on close cooperation between the Commonwealth and States. These cooperative arrangements aim to bring about substantial benefits in eliminating duplication and overlap. COAG has agreed to goals, including to:

- close the 17 year life expectancy gap within a generation;
- halve the gap in mortality rates between Indigenous and non-Indigenous children under five within a decade;
- halve the gap in reading, writing and numeracy achievement between Indigenous and non-Indigenous students within a decade;
- halve the gap in employment outcomes and opportunities between Indigenous and non-Indigenous Australians within a decade;
- provide all children in the year before formal schooling in remote communities with access to early childhood education within five years; and
- at least halve the gap for Indigenous students in Year 12, or equivalent, completion rates by 2020.

In addition, the objectives and outcomes for each of the new national agreements, covering health, early childhood development and schools, vocational education and training, disability services, and affordable housing, will include a new focus on addressing Indigenous disadvantage.

