

Consultation on Interim Report
National Cities Performance Framework

Via email: cityperformance@pmc.gov.au

18 August 2017

To Whom It May Concern

National Cities Performance Framework

The Property Council of Australia is pleased to provide a submission to the Interim Report on the indicators that will be used measure the performance of Australian Cities as well as support the selection and evaluation of City Deals.

The Property Council is the leading advocate for Australia's biggest industry - property. Our members are long-haul investors in cities, the engine rooms of Australia's economic prosperity, where more than 80% of our gross domestic product is generated.

The property industry strongly commends the Australian Government's commitment to improve the performance of cities based on evidence. Our members strongly support the need to make the right policy choices to support the improved productivity, liveability and sustainability our cities. These critical policy choices can only be made when the performance of our cities is tracked and measured.

The main opportunity to improve the usefulness of the Performance Framework is related to housing affordability and the ability to properly assess housing supply.

Housing affordability is a significant determinant of successful cities and is one of the pressing policy issues of our time. There is a lack of data on national housing supply to inform the necessary policy and investment decisions governing this \$6 trillion asset class. As such, there is a risk of undermining the flow of jobs and investment throughout the economy when housing supply is unable to match demand.

The Property Council recommends that the National Housing Supply Council is reinstated and data produced (for example: supply projections and demand/ supply gap analysis) be used as key indicators in the National Performance Framework.

Please find attached additional comments on the proposed indicators developed in consultation with the Property Council's National Cities Roundtable and state committees across the country.

We look forward to continued consultation on the Cities Performance Framework a positive step in the development of credible, rigorous cities policy.

If you would any additional information on this submission, please contact Rebecca Douthwaite on 029033 1936 or rdouthwaite@propertycouncil.com.au.

Regards,



Ken Morrison
Chief Executive



National Cities Performance Framework: Interim Report

August 2017

Purpose of the Performance Framework

The Property Council strongly supports the Government's commitment to move towards longer-term involvement in cities policy and the approach undertaken to bring together critical data to measure the performance of cities.

Cities are more important than ever before, and we need appropriate data to inform the right policy choices to support their growth.

The final selection of indicators must monitor, measure and inform responses to the mega trends that will ultimately shape our cities- population growth.

On a medium projection, Australia's population will grow to 30.5 million by 2031, a 36.2% increase over 20 years. Almost three quarters of our future population growth is expected to occur in our four largest cities.

Population growth is vital to a country such as Australia. Significantly, population as a key driver of economic growth is recognised in the *2015 Intergenerational Report* where population growth is expected to drive almost half of projected GDP growth over the next forty years.

Population growth rightly leads community expectations that infrastructure will be upgraded and new investments made.

However, failure to prepare for population growth places pressure on housing affordability, access to local jobs and our natural environment, as well as increasing congestion i.e. the poor performance of cities.

The inclusion or exclusion of indicators must not lose sight of the purpose of the Performance Framework: evidencing the capacity (or lack thereof) of Australian cities to efficiently respond to population growth with a strong, prioritized infrastructure program, a diverse economic base, affordable access to housing, efficient transport networks and with cultural and environmental amenity.

Developing the Performance Framework to deliver to this purpose will assist in prioritising the indicators that will best inform the policies and investments decisions that will manage population growth and ensure strong economic, liveability and sustainable outcomes.

City Coverage and Measuring Performance

The Property Council supports the selection of Australia's 21 largest cities and Western Sydney for inclusion in the Performance Framework.

However, it is important to note that three quarters of Australia's forecast population growth will be in just four cities. These four cities - Sydney, Melbourne, Brisbane and Perth - are projected to record a higher percentage point population increase than any developed city in the world.

This means that some indicators will play a greater role in determining the performance of faster growing cities - such as infrastructure and investment indicators, but may be less relevant for others that are growing at a slower rate.



The Property Council recommends that the Performance Framework consider the need to weight indicators when using the data to evaluate performance, developing cities policy and informing infrastructure investment or when identifying cities for City Deals.

The selection and evaluation of City Deals

The use of the Performance Framework to select and prioritise locations for City Deals is strongly supported by the Property Council.

The indicators will be useful in informing the content of specific City Deals. However, the use of the indicators must not lose sight of the fact that any City Deal must have a clear commitment to economic growth as the central feature of the Deal.

The Performance Framework will be most applicable to the monitoring and evaluation of the City Deal. City Deals must promote a continuous cycle of economic benefits to fortify the future prospects of cities and regions- spanning a minimum time horizon of 15-years. The Performance Framework will be the only tool available to monitor the success of any City Deal over the medium to long term.

Most importantly, the success of the City Deal program will be maximised when State and Territory Governments are rewarded for devising, delivering and funding initiatives that support growth. In the UK, the 'payment-by-results' concept at the heart of City Deals recognises state and local governments are often tasked with difficult decisions, but the tax benefits of economic growth flow to the national government.

The Property Council recommends that improvement performance, as demonstrated by the indicators, be used to inform a 'payment-by-results' concept in any City Deal. This will incentivise implementation of policies that improve city performance over time should to allow the community to share the benefits of economic growth.

Using indicators to improve performance

The use of performance indicators to track and compare cities' performance is important in order to make policy and investment decisions crucial to the future success of Australian cities.

The data collated under the performance indicators will establish a much-needed benchmark of Australian cities.

To maximise the impact of the Performance Framework, the Property Council recommends the implementation of key performance indicators (KPIs).

Coupling the performance indicators with KPIs for improvement would ensure that the Performance Framework is not simply a data gathering exercise, but one that identifies opportunities for improvement and clarifies where government action (at all levels) and commitment is needed for improvement.

Policy Priorities

The Property Council strongly supports the proposed policy priorities set out in the Smart Cities Plan. However, the Property Council recommends that the priorities are reordered to reflect the importance of *Housing* and *Governance, Planning and Regulation* to the success of cities:

1. Jobs and Skills
2. Infrastructure and Investment
3. Housing
4. Governance, Planning and Regulation
5. Liveability and Sustainability
6. Innovation and Digital Opportunities

Access to housing that is affordable and accessible to jobs and amenity is central to a city's success. This is particularly important for the four cities where three quarters of population growth is expected to occur.

The supply and diversity of housing will inform the performance and success of liveability and sustainability objectives and, as a primary consideration in the global competition for talent, access to housing will be vital to improve performance in innovation and entrepreneurship indicators.

Increasing the affordability of housing as well as the supply and diversity of housing stock will be governed by land use planning in cities and the effectiveness of local governance. *Governance, Planning and Regulation* are currently cited as one of the main constraints on cities' success—particularly those with fast growing populations. Planning systems have a direct impact on housing affordability and there is a universal understanding that planning is a tool to drive economic growth. It central to creating employment and improving the productive capacity of our cities.

The Property Council recognises that the Smart Cities priorities are interlinked. However, reordering these priorities will demonstrate the significant role that *Housing* and *Governance, Planning and Regulation* priority objectives will play in improving the performance of cities.

Recognising the importance of these priorities, the Property Council strongly recommends that the Housing Supply Council is reinstated to monitor housing demand, supply and affordability in Australia, and to highlight current and potential gaps between housing supply and demand.

The indicators developed by the Housing Supply Council for inclusion in the Performance Framework potentially include:

- Annual increase in total dwelling stock.
- Annual housing shortfall and cumulative shortfall.
- Housing supply, underlying demand and shortfall projections.

Contextual Indicators

The following insights are provided on the proposed contextual indicators included in the Performance Framework. It is important to recognise that these indicators are only useful when

read in context. As such, additional recommended indicators are presented as ratios to better explain circumstances and characteristics of a city.

Indicator	Importance	Comment
Median individual income	High	Household income may be more appropriate, or at least a complementary, to better understand how well off the community is and whether basic necessities are affordable.
Dependence ratio	Medium	Median age or other demographic information may be more appropriate to guide policy responses and infrastructure investments.
Population	High	This indicator should clearly state that it reflects the population growth rate rather than a snapshot of the population at one point in time.
Indigenous population	High	This indicator should be complemented by an indicator for the proportion of people born overseas to truly reflect the cultural diversity of city.
Population weighted density	Medium	It would be beneficial if this indicator is read in conjunction with dwelling type - only then can it inform infrastructure investment decisions.
Median detached house price	Medium	The ratio of dwelling prices to annual household income may be a more useful indicator to demonstrate whether housing is affordable for residents when compared to household incomes.
Dwelling type	High	
Average household size	Medium	
Housing tenure profile	High	

Indicator	Importance	Comment
Language other than English	High	This indicator should be coupled with an indicator for the proportion of people born overseas to truly reflect the cultural diversity of city.
Industry share of employment	High	
Professional networks (ratio of LinkedIn connections)	Low	There is little consensus that this indicator is directly correlated with innovation and adaption and recommend that it is excluded from the framework.
Additional Indicators		
Ratio of median dwelling prices to annual household income (CoreLogic)	High	This indicator will better demonstrate how much household annual income will be spent to purchase a typical dwelling within the region - a key metric of housing affordability.
The proportion of household income required for a 20% deposit on a median price dwelling (CoreLogic)	High	This metric will demonstrate how much annual income first homebuyers will have to save to purchase a home in the area - a key metric of housing affordability.
The proportion of household income required to service an 80% loan to valuation ratio mortgage (CoreLogic)	High	This indicator will demonstrate the serviceability of mortgage and identifies housing stress.
The proportion of household income required to pay rent (CoreLogic)	High	This indicator will demonstrate households' ability to pay rent and identifies housing stress.

Performance indicators

Jobs and Skills Indicators

Indicator	Importance	Comment
Economic output per capita	High	
Unemployment rate	High	Including a demographic indicator for youth may be informative in better understanding where policy intervention from a cities perspective is required.
Underemployment rate	High	
Participation rate	Low	
Education Attainment rate	Medium	
Additional Indicators		
Proportion of service industry professionals	High	These indicators may better inform the necessary policy interventions required to meet the <i>Jobs and Skills</i> policy priority objectives of higher economic growth and employment.
Proportion of trade industry professionals		

Infrastructure and Investment Indicators

Given that three quarters of population growth, and subsequent demands on infrastructure, will be in just four cities, there is a question as to how funding is measured and distributed based on these indicators. Significantly, there is also a need to consider indicators for the delivery of infrastructure - currently a key constraint on the performance of cities.

Indicator	Importance	Comment
Jobs accessible within 30 minutes	High	This is a very high priority indicator.

Indicator	Importance	Comment
Share of public transport	Medium	The usefulness of this indicator will be highly dependent of the quality of the public transport offered. As such, KPIs or benchmark shares should be included. This indicator will not be as useful for regional cities where there is a greater car dependency.
Share of active transport	High	The usefulness of this indicator will be highly dependent of the quality of the pedestrian and cycling connections. Australian cities are not well designed for active transport and, as such, KPIs or benchmark shares should be included.
Value of building approvals per capita	High	This indicator should be noted as a trend rather than a point in time. This indicator must be read in conjunction with population growth to understand relative performance (i.e. if approvals in line with population growth).
Peak travel delay	High	
Cost of Congestion	High	
Average time without power	High	
Additional Indicators		
Investment in Public Transport (per capita)	High	Indicators need to demonstrate how a city is preparing for the future. These indicators will demonstrate whether the infrastructure investment is in line with population growth.
Investment in Infrastructure (per capita)	High	

Liveability and Sustainability Indicators

The Property Council strongly recommends that the number of indicators included under this policy priority need to be refined to prioritise indicators informing the performance of a city in delivering to *Liveability and Sustainability* objectives.

Indicator	Importance	Comment
Air Quality	Low	This indicator may be more relevant for cities with high pollution.
Access to urban green space	High	
Gross parkland area	Low	Access to green space is more important than the gross area i.e. dense areas may have a lower amount but higher quality for residents especially compared to regional cities.
Residential water use	Medium	
Greenhouse gas emissions per capita	Low	Weightings will be important when considering this indicator as cities with a higher proportion of employment lands and industrial lands may be unfairly represented. A more useful indicator may look to the Reduction in Greenhouse Gas Emissions per Capita as a more proactive indicator of a cities' success.
Life expectancy	Medium	
Indigenous life expectancy	Medium	
Adult obesity rate	Medium	
Violent Crime	High	
Share in the bottom income decile	Medium	

Indicator	Importance	Comment
Socio-Economic Index for Area (SEIFA)	High	This indicator should be a proxy of relative socio-economic advantage and disadvantage.
Support in times of crisis	Medium	
Suicide rate	Medium	
Perceived safety	Medium	
Additional Indicators		
24-hour economy	High	These indicators will better demonstrate the amenity and liveability of cities. Importantly, cities will be central to in the global fight for talent - amenity will be a significant influence as to whether Australia can compete with other world cities to attract this talent.
Access to retail	High	
Accessibility of public transport within different areas of the city	High	

Innovation and Digital Opportunities Indicators

Indicator	Importance	Comment
Knowledge Worker Ratio	Medium	Regional cities that have more industry or blue-collar employment may perform poorly on this indicator - demonstrating the need to weight indicators.
Broadband Connection Rate	High	Broadband average speed may be a more relevant indicator.
New Business entrants	High	Should also look at existing business relocations i.e. where are tech and innovation base businesses are relocating (CBD or business parks).
Labour productivity	High	
Patent applications	Medium	Regional cities that have more industry or blue-collar employment may perform poorly on this indicator - demonstrating the need for weighting.

Governance, Planning and Regulation Indicators

These indicators are strong determinants of the future performance of Australian Cities. Although some proposed indicators do not exist they are vital to understand if cities are adequately preparing for population growth. The introduction of the Housing Supply Council will assist in developing these important indicators.

Indicator	Importance	Comment
Land use strategy	High	Land use strategies are significant determinants of how cities manage growth. However, the age of the strategy is important and can be used as a proxy for whether the strategy is contemporary. Best practice planning requires that all strategic plans and statutory plans are reviewed regularly and are up to date.
Development assessment decision time	High	A more sophisticated measure may be warranted as an average indicator will not provide a complete picture. An indicator for development assessment decision time that distinguishes by size/ value of project will better inform the performance of a city.
Investment readiness (a plan to attract investment)	High	
Local government dispersion (size & fragmentation of LGs)	High	
Additional indicators		
Age of strategic plan (years)	High	Best practice planning requires that all strategic plans and statutory plans are reviewed regularly and are up to date.
Age of local planning schemes (years)	High	
Delegation of planning approval to professionals for determination	High	Local governments are generally very effective at delegating decision making from Councilors to officers with planning or other necessary technical skills to make an informed decision. Alternatively, the presence of independent assessment panels for significant projects would be a useful indicator.

Indicator	Importance	Comment
Reporting of performance by local governments against land use planning objectives and housing targets.	High	This indicator will ensure that cities are preparing to meet forecast population growth.
The COAG nine criteria for capital city strategic planning systems	High	To ensure Australian cities are globally competitive, productive, sustainable, liveable and socially inclusive and are well placed to meet future challenges and growth - COAG developed a set of indicators to benchmark capital cities performance.

Housing Indicators

Access to housing that is affordable and accessible to jobs and amenity is central to a city's success. This is particularly important for the four cities where three quarters of population growth is expected to occur.

Recognising the importance of these importance of this priority, the Property Council recommends that the Housing Supply Council is reinstated to monitor housing demand, supply and affordability in Australia, and to highlight current and potential gaps between housing supply and demand. The indicators developed by the Housing Supply Council for inclusion in the Performance Framework include:

- Annual increase in total dwelling stock.
- Annual housing shortfall and cumulative shortfall.
- Housing supply, underlying demand and shortfall projections.

Indicator	Importance	Comment
House price to income ratio	High	Median prices and median incomes will deliver a more accurate representation of housing affordability than averages. These indicators should also reflect the difference between houses and units.
Mortgage to income ratio	high	
Rent to income ratio	High	
Public housing units	High	An indicator of housing stress may provide a broader picture of where policy intervention is needed.
Homelessness rate	High	

Indicator	Importance	Comment
Housing construction costs	Low	Construction costs are a small factor in housing prices and have remained stable over time where new dwelling cost inflation reflecting CPI (Reserve bank of Australia, 2015). A more informative indicator may be land prices.
Additional Indicators		
Dwelling Approvals	High	The introduction of the Housing Supply Council will be vital in developing the indicators necessary to better understand the supply, diversity and affordability of housing in cities.
Dwelling Completion	High	
Supply gap	High	
Underlying demand	High	
Housing utilisation	High	



ABOUT THE PROPERTY COUNCIL

Property is the nation's biggest industry – representing one-ninth of Australia's GDP and employing more than 1.1 million Australians.

Our members are the nation's major investors, owners, managers and developers of properties of all asset classes. They create landmark projects, environments and communities where people can live, work, shop and play.

The property industry shapes the future of our cities and has a deep long-term interest in seeing them prosper as productive and sustainable places.

That is why the Property Council has commissioned research and championed ideas to improve the performance of cities including:

- producing regular scorecards and recommendations on the best ways to improve the performance of planning systems in the states and territories
- quantifying the rising burden from stamp duty, and recommending reforms to the tax system that would eliminate a high hurdle to home ownership, as well as drag on the economy
- crafting a framework for the application of national competition policy style principles to fix housing markets and planning systems
- studying the fees, charges and infrastructure taxes that progressively add to the cost of new housing in Australia
- exploring new models to bring institutional scale capital into the affordable rental market
- using City Deals as a vehicle to engender economic growth, improve strategic planning and infrastructure choices, and boost housing supply.

All these reports and more can be obtained via www.propertycouncil.com.au or contacting:

Ken Morrison
Chief Executive
kmorrison@propertycouncil.com.au
02 9033 1926

Glenn Byres
Chief of Policy and Housing
gbyres@propertycouncil.com.au
02 9033 1928

Rebecca Douthwaite
Policy Manager
Housing & Planning
rdouthwaite@propertycouncil.com.au
02 9033 1936