

**Southern and Hills Local Government**

## **Submission**

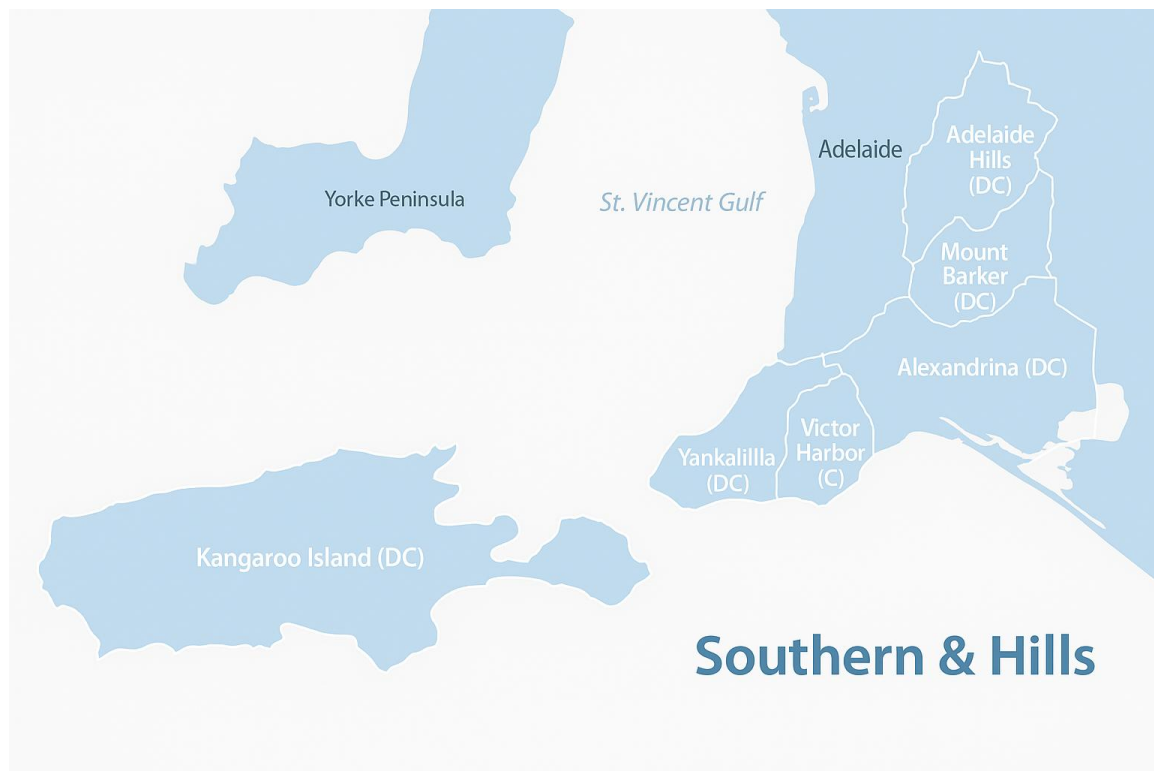
# ***Productivity Commission - Housing Supply Regulation Interim Report***

September 2026



## The Southern and Hills Region

The Southern and Hills Local Government Association (SHLGA) represents six councils across one of South Australia's fastest growing and most economically productive regions. The region encompasses the Adelaide Hills, Fleurieu Peninsula and Kangaroo Island and contributes more than \$7 billion in Gross Regional Product, supports over 42,000 local jobs, and is projected to grow by more than 87,000 residents by 2051.



Our councils are experiencing the practical implications of housing growth through increasing demand for transport, stormwater, wastewater, recreation, open space and community infrastructure, while also seeking to maintain the qualities that make their communities attractive places to live. We need to build 30 new homes per week to meet our target of 46,000 houses over the next 30 years. Despite this proportionately high rate of projected growth, we are competing with Greater Adelaide's outer north for state-led planning and investment and fear our communities will be left behind.

SHLGA welcomes the opportunity to comment on the Productivity Commission's *Housing Supply Regulation Interim Report*. As an interim report prepared for further consultation, it provides an important opportunity to ensure the experience of growing regional and peri-urban communities informs the Commission's final recommendations.

## Summary

SHLGA supports the objective of enabling more homes in the right places and agrees that improvements to Australia's housing and planning systems can contribute to increased housing supply.

We particularly welcome the Commission's recognition that housing supply cannot be considered separately from the infrastructure required to support it. The interim report identifies infrastructure planning as a major constraint on housing delivery in greenfield areas and calls for better alignment between housing, infrastructure planning, funding and sequencing.

This is strongly consistent with the experience of councils in the Southern and Hills region. However, SHLGA considers that the final report should go further in recognising two important issues.

First, effective coordination requires visibility. Local governments cannot efficiently plan and sequence their own infrastructure investments without a clear line of sight to existing infrastructure capacity and the timing of investment by State Government, utilities and other infrastructure providers.

Second, increased housing supply must not become an objective pursued at the expense of the long-term liveability, resilience and sustainability of the communities being created. The Commission appropriately recognises that a best-practice regulatory system should balance economic, social, cultural and environmental outcomes and give weight to the interests of current and future residents. This principle should remain central when individual regulatory reforms are considered.

SHLGA recommends that the final report:

1. recognise infrastructure capacity and investment sequencing as fundamental components of housing supply policy;
2. recommend transparent, long-term infrastructure capacity and investment plans that allow councils and other infrastructure providers to align their investment decisions with housing growth;
3. recognise an ongoing Commonwealth and State role in funding housing-enabling infrastructure, particularly where infrastructure must precede development or provides benefits beyond an individual development; and
4. ensure regulatory reform considers the long-term economic, social, environmental and community costs of development, rather than focusing narrowly on reducing upfront development costs or approval time

## More homes in the right places

SHLGA supports the Commission's overarching objective of a housing and planning regulatory system that enables sufficient housing to meet community needs in places where it delivers the greatest net benefit.

The question of what constitutes the "right places", however, warrants careful consideration. A location does not become appropriate for significant housing growth simply because land has been zoned or additional development capacity can be created through planning reform.

The right places for housing are places capable of being supported by the infrastructure and services required for communities to function effectively. This includes water and sewerage, energy, roads and public transport, schools, health services, stormwater, open space, recreation facilities and other community infrastructure.

The Commission itself identifies an important distinction between land that is zoned residential and land that is serviced, approved, infrastructure-ready and commercially feasible, and specifically seeks feedback on whether governments should report measures that distinguish between these different stages of housing readiness.

SHLGA strongly supports such a distinction, and the experience of Mount Barker demonstrates why this matters.

In 2010, the South Australian Government rezoned approximately 1,300 hectares of largely rural land around Mount Barker for urban growth. While this created substantial new housing capacity, the rezoning was not accompanied by a sufficiently integrated and enforceable whole-of-government plan for the funding, sequencing and delivery of the infrastructure and services required to support that growth.

More than 15 years later, Mount Barker District Council continues to undertake extraordinary work to address the resulting infrastructure backlog, including major investment in wastewater infrastructure, local roads, recreation and community facilities, while advocating for completion of key State infrastructure and services. The fragmented delivery of Heysen Boulevard provides a particularly clear example: conceived as the backbone of the growth area, its delivery through individual development agreements resulted in disconnected sections being constructed over more than a decade rather than as a coordinated network.

The State Government and Council have only recently agreed to jointly develop a comprehensive Master Plan and investigate an Infrastructure Scheme to better coordinate future growth and infrastructure delivery. Mount Barker demonstrates that rezoning land can occur relatively quickly; retrofitting the infrastructure and services required to create a well-functioning community is considerably more difficult and expensive.

The lesson for future growth areas is that infrastructure capacity, responsibilities, funding and sequencing need to be resolved much earlier in the growth planning process.

Importantly, South Australia has learned from this experience. Contemporary Code Amendment processes place much greater emphasis on resolving infrastructure and servicing requirements before land is rezoned, including through infrastructure deeds and agreements where required. SHLGA supports this approach. The challenge now confronting South Australia is therefore less one of planning process than infrastructure capacity.

In a number of growth areas, additional housing cannot proceed - or future rezoning cannot responsibly occur - because water and wastewater networks do not have sufficient capacity to service further development. The seriousness of this constraint has been acknowledged by the South Australian Government, with the Premier describing the cumulative underinvestment in water infrastructure as a 'public policy disaster'.

Significant investment is now being directed towards unlocking housing growth, particularly in Adelaide's northern growth areas. While this investment is welcome, comparable certainty does not yet exist for growth areas in the Southern and Hills region. There is limited visibility over when the water and wastewater capacity required to support future rezonings and housing growth in these areas will be available. This creates a risk that housing supply is unlocked in one part of the Greater Adelaide market while remaining constrained in others, and places at risk the Southern and Hills region's capacity to achieve the housing targets set in the Greater Adelaide Region Plan (GARP).

The next stage of reform must therefore move beyond ensuring that infrastructure arrangements are considered before rezoning: it must ensure that long-term infrastructure capacity and investment are actually available across the different housing markets expected to accommodate South Australia's growth.

The Commission reaches a similar conclusion, observing that land release itself is not necessarily the constraint in many greenfield locations and that released land can only translate into housing supply when supported by enabling infrastructure.

For local government, achieving this state of readiness also requires substantial strategic and structure planning, infrastructure analysis and integration with long-term asset and financial planning.

This challenge is particularly significant for smaller regional growth councils. In Victor Harbor, for example, GARP requires planning for annual housing delivery substantially above recent build rates. Translating this growth into a Local Area Plan requires detailed work on infrastructure timing, funding mechanisms, social infrastructure and alignment with Council's long-term asset and financial planning.

Strategic and structure planning should therefore be recognised as part of the housing-enabling task, with appropriate State support where councils are being asked to facilitate significant housing growth.

## Housing plans need infrastructure plans

SHLGA supports Reform Directions 4.1 and 4.2, which propose better coordination of strategic infrastructure planning with housing objectives and improved sequencing between infrastructure and housing development.

South Australia's Regional Plans, including GARP, provide a long-term blueprint for accommodating population and housing growth over the next 30 years. Councils are now required to prepare Local Area Plans to translate this growth into more detailed local land use and infrastructure planning. SHLGA supports this integrated approach, but its effectiveness depends on councils having sufficient visibility of the infrastructure capacity, investment intentions and delivery timeframes of State Government agencies and major infrastructure providers.

This is currently a significant gap. Councils are making long-term decisions about local roads, stormwater, wastewater, recreation facilities, open space and community infrastructure without a sufficiently clear and consolidated picture of the capacity and future investment sequencing for potable water, energy networks, arterial roads, public transport, public schools, health services and other State infrastructure.

The practical consequence is that a council may know where substantial growth is expected and be required to plan the local infrastructure necessary to support it, without knowing whether, when or at what scale the State infrastructure and services upon which that growth depends will be delivered. This creates a risk of premature investment, deferred investment while councils await greater certainty, or local infrastructure being planned around assumptions about State investment that subsequently change.

SHLGA therefore considers that the Commission's proposed accountability framework should include a stronger emphasis on transparent infrastructure capacity mapping and long-term investment sequencing. Housing and growth plans should be supported by infrastructure plans that provide reasonable visibility of existing capacity, anticipated constraints, planned investments and indicative delivery timeframes.

Importantly, this should operate as a reciprocal planning obligation. If local governments are expected to demonstrate how their land use and infrastructure planning will support State housing objectives, State governments and infrastructure providers should provide sufficient forward visibility for councils to understand how their infrastructure and service investments will support that growth.

Better information would enable councils, infrastructure providers, developers and governments to coordinate investment more effectively, reduce the risk of premature or duplicated expenditure, and ultimately improve the prospects of housing and the infrastructure that supports it being delivered at the right time.

## **Infrastructure funding is integral to housing policy**

Planning and coordination alone will not resolve the infrastructure challenge.

The Commission recognises that poorly coordinated infrastructure arrangements can prevent essential infrastructure being delivered and delay or constrain housing, particularly in greenfield locations.

It also acknowledges a potential role for the Australian Government in financing infrastructure, managing funding shortfalls and underwriting risks associated with infrastructure sequencing.

SHLGA supports a continuing and substantive Commonwealth role in housing-enabling infrastructure.

However, Commonwealth involvement should not be confined to financing instruments such as loans. There remains a strong case for direct government co-investment in enabling infrastructure, particularly where:

- infrastructure must be constructed well in advance of development;
- the infrastructure benefits multiple developments or communities;
- benefits extend beyond the boundaries of an individual development;
- the scale of investment exceeds the reasonable financial capacity of a council or infrastructure provider; or
- investment produces broader productivity, housing, transport or community benefits.

This is particularly important for rapidly growing regional and peri-urban communities. Support should also recognise the strategic planning and technical work required to bring complex growth areas to an infrastructure-ready state, particularly where significant growth is being pursued to meet State or national housing objectives.

Councils in the Southern and Hills region should not be financially disadvantaged for facilitating housing growth that contributes to State and national housing objectives.

## **Funding infrastructure ahead of growth**

SHLGA agrees with the Commission that the timing of infrastructure investment creates a fundamental challenge for growing communities. Enabling infrastructure often needs to be planned, financed and delivered well before the additional population and development it supports generates corresponding revenue.

This issue is particularly important for local government. The Essential Services Commission of SA's (ESCOSA) financial sustainability advice to South Australian councils has highlighted the pressures experienced by growth councils, which must invest in new and upgraded infrastructure while continuing to fund the renewal and

maintenance of their existing asset base. The financial benefits associated with growth, including increased rate revenue, accrue progressively as development occurs, while significant infrastructure expenditure may be required much earlier.

The experience of Mount Barker illustrates the scale of this challenge. Rapid population growth has required substantial investment in new and upgraded infrastructure, including local roads, community facilities and council-operated wastewater infrastructure. Mount Barker District Council's 2025–26 budget alone included \$93.8 million in GMB Water capital works, with major investment in the Laratinga Water Recovery Plant and trunk sewer infrastructure required to support continued growth. ESCOSA has assessed Mount Barker District Council as currently financially sustainable, but has identified its high projected borrowing levels - required to deliver the programs and infrastructure necessary to support growth - as a potential risk to future sustainability. In particular, ESCOSA identified the risk of misalignment between infrastructure expenditure and the growth in the ratepayer base available to use and fund that infrastructure.

This does not mean that growth-related infrastructure should not be built or that borrowing to fund long-lived infrastructure is inherently problematic. Rather, it demonstrates an important structural feature of growth - the expenditure required to enable and support new housing can substantially precede the revenue uplift that growth ultimately provides.

South Australia's planning system provides for Infrastructure Schemes as one mechanism through which infrastructure requirements and funding arrangements can be coordinated in designated growth areas. However, Infrastructure Schemes are a relatively new and as yet largely untested mechanism and are not applied universally. They should therefore not be assumed to resolve the broader question of how major housing-enabling infrastructure will be financed and delivered across all growth areas.

This reinforces the need for housing policy to consider infrastructure funding and financial capacity alongside land-use planning. Governments should identify not only what infrastructure will ultimately be required to support planned housing growth, but the responsible delivery party, funding source, indicative timing and key delivery dependencies, including how the gap between upfront infrastructure expenditure and future revenue will be managed.

For local government, this is also a financial sustainability issue. Housing growth creates new assets that must subsequently be operated, maintained and renewed, adding permanent lifecycle costs to council asset portfolios. ESCOSA's work has highlighted the tension councils can face between investment in new and upgraded infrastructure and the continuing obligation to sustainably manage and renew existing assets.

The Commission's final recommendations should therefore recognise that accelerating housing supply without resolving the funding and sequencing of enabling infrastructure risks transferring significant financial pressure to the governments and infrastructure providers expected to support that growth. A sustainable housing growth model must

address the timing mismatch between infrastructure investment and revenue growth, as well as the ongoing lifecycle cost of the infrastructure created.

## **Productivity should not come at the expense of liveability**

SHLGA supports sensible regulatory reform that reduces unnecessary costs, uncertainty and delay. However, the purpose of housing policy should not simply be to maximise the number of dwellings produced in the shortest possible time.

The Commission's own best-practice objective appropriately recognises the need to balance housing supply with economic prosperity, safety, social welfare, equity, climate adaptation and cultural and environmental preservation.

Some regulations impose an immediate cost on development because they are intended to produce a longer-term public benefit. Tree canopy and landscaping, heritage protection, energy efficiency, appropriate built form, open space, accessibility, environmental protection and housing quality can all contribute to communities that are healthier, more resilient and more liveable over their lifetime.

SHLGA does not seek to prescribe nationally which individual controls should be retained or removed. These matters need to reflect local circumstances - including environmental and natural-hazard constraints, infrastructure and service capacity, and community needs - and an appropriate assessment of their long-term costs and benefits.

However, the Commission should be cautious about equating removal of regulation with increased productivity where doing so may simply transfer costs from today's development process to future residents, communities and governments.

Poorly planned growth can result in greater car dependence and congestion, inadequate open space and tree canopy, increased exposure to climate risks, loss of valued heritage and character, housing poorly suited to changing community needs, and infrastructure deficits that are considerably more expensive to address retrospectively.

These are real economic and community costs. A regulatory reform that reduces the upfront cost of housing but creates larger infrastructure, environmental or social costs over the life of a community is not a genuine productivity gain.

Australia should not solve today's housing challenge by creating larger problems for future generations.

## **Conclusion**

SHLGA supports the Productivity Commission's ambition to improve Australia's housing regulatory system and enable more homes to be delivered in the places people need them.

The interim report importantly recognises that housing and infrastructure must be planned together. SHLGA encourages the Commission to make this principle even more prominent in its final recommendations.

For growing regional and peri-urban communities, the challenge is not simply whether sufficient land is zoned or whether development approvals can be processed more quickly. It is whether governments can collectively provide the infrastructure, services and investment certainty required to turn housing capacity into successful communities.

The objective should be housing growth that creates well-connected, liveable and resilient communities, with infrastructure and services planned and delivered alongside population growth.

That requires better visibility of infrastructure capacity, clearer long-term investment sequencing, appropriate State and Commonwealth co-investment and solutions to first-mover infrastructure costs.

At the same time, regulatory reform must retain a long-term perspective.

More homes in the right places is an objective SHLGA strongly supports. But the measure of success should not simply be how quickly or cheaply homes can be built. It should be whether we are creating communities that will remain liveable, connected, resilient and affordable for the generations who will live in them.

The challenge for governments is therefore not simply to build more homes faster. It is to ensure that in solving Australia's immediate housing shortage, we are also building communities for the future.