



ALGA

Australian Local
Government Association

Response: Housing supply regulation

Productivity Commission Interim
Report

Executive summary

The Australian Local Government Association (ALGA) welcomes the Productivity Commission's interim report on housing supply regulation and its recognition that planning reform must be supported by coordinated infrastructure, clearer responsibilities and more efficient approval processes.

Local government is actively contributing to the Commonwealth's housing objectives. Councils undertake strategic planning, assess development, coordinate land use and deliver the local roads, drainage, open space, community facilities and other infrastructure that make new housing possible. However, faster approvals and additional zoned capacity will not, by themselves, produce completed homes¹. Land must also be serviced, development must be commercially viable, infrastructure must be funded and sequenced, and councils and other delivery agencies must have sufficient workforce and technical capacity.

ALGA supports the report's focus on infrastructure-led strategic planning, development-ready land, improved referral coordination, risk-based approval pathways, cost-reflective developer contributions and stronger intergovernmental coordination.

Several proposed reforms nevertheless require substantial qualification. Blanket upzoning, broad removal of local planning and built-form controls, routine state override of council planning schemes and default approval mechanisms risk separating development decisions from local infrastructure capacity, natural hazards, environmental constraints, housing quality and long-term community impacts. Reform must remain place-based and recognise the significant differences between metropolitan, regional, rural and remote housing markets.

ALGA's central position is that national housing reform must:

- match housing targets and rezoning decisions with costed, funded and sequenced infrastructure plans that include local governments in governance processes;
- provide direct and predictable funding for housing-enabling infrastructure;
- retain appropriate safeguards for safety, accessibility, environmental protection, climate resilience, heritage and liveability;
- limit fast-track pathways to applications that are complete, compliant and genuinely low-risk;
- ensure councils have a formal role in informing state or Commonwealth decisions that create local infrastructure and service obligations;
- measure performance across the full development pathway rather than relying on council approval times alone;
- maintain cost-reflective developer contributions and avoid shifting growth costs to existing ratepayers and local governments.
- provide tailored responses for regional, rural and remote housing markets;
- align First Nations housing reform with the Closing the Gap Priority Reforms and community-controlled delivery; and
- provide councils with the funding, workforce support, data and systems required to implement reform.

¹ Productivity Commission, *Housing Supply Regulation: Interim Report*, July 2026, pp. 1–15 and 21–36, <https://www.pc.gov.au/inquiries-and-research/housing-supply/interim/>

National Housing Supply and Affordability Council, *State of the Housing System 2026*, <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>

ALGA strongly opposes any suggestion to link Local Government Financial Assistance Grants to housing targets², approval performance or other housing indicators. Financial Assistance Grants are untied, equalisation-based funding that supports essential services and infrastructure, particularly in financially constrained regional, rural and remote councils³. These funds are core to council operations and essential to allow councils to respond to the individual needs of a community and intentionally not tied to specific outcomes. Housing incentives should be additional, dedicated and directed towards infrastructure and implementation capability⁴.

The Commission's final report should treat councils as delivery partners and take a deeper view on the barriers to housing supply. Housing outcomes depend on the combined actions of Commonwealth, state, territory and local governments, utilities, developers, financiers and the construction sector. Accountability, funding and implementation responsibilities must therefore be shared across the full housing delivery system.

Introduction

ALGA is the voice of local government in Australia, representing 538 councils across the nation. ALGA was established in 1947 and throughout its history has been actively involved in issues of national significance affecting local government and local communities.

In structure, ALGA is a federation of state and territory local government associations. This submission should be read in conjunction with any separate submissions received from state and territory associations as well as individual councils.

Councils' housing-related responsibilities vary across jurisdictions. Depending on the jurisdiction, these include strategic land-use planning, development assessment, infrastructure planning and delivery, and local services. Councils may also inherit ongoing infrastructure and service obligations arising from housing decisions made by other levels of government. Every new home depends on local roads, drainage, footpaths, open space, community facilities and connections to broader utility and transport networks⁵.

ALGA supports the Commonwealth's objective of increasing housing supply and welcomes reforms that improve coordination, reduce avoidable delay and provide greater certainty. The central issue, however, is not simply how quickly land can be rezoned or an application approved. The relevant measure is whether reforms result in additional homes that are serviced, viable, safe, accessible, affordable and fit for purpose.

The Commission's interim report is strongest where it recognises that housing delivery depends on genuinely development-ready land and coordinated infrastructure planning. Its proposals also create risks where national or state reforms override place-based decision-making, weaken legitimate public-interest

² Australian Local Government Association, 'Local government financial sustainability', <https://alga.com.au/policy/local-government-financial-sustainability/>

³ Australian Local Government Association, '2026–27 Federal Budget Submission', 2 February 2026, <https://alga.com.au/2026-27-federal-budget-submission/>

ALGA, Submission to the Inquiry into Local Government Funding and Fiscal Sustainability, 2026, <https://www.apf.gov.au/DocumentStore.ashx?id=b99ea9f9-6e43-44e7-afdb-2d635ab54551&subId=757352>

⁴ Australian Local Government Association, '2026–27 Federal Budget Submission', 2 February 2026, <https://alga.com.au/2026-27-federal-budget-submission/>

⁵ Australian Local Government Association, 'Housing and planning', <https://alga.com.au/policy/housing-and-planning/>

Equity Economics and Development Partners, *Addressing the Housing Crisis: Unlocking Local Government's Contribution*, report commissioned by the Australian Local Government Association, August 2024, <https://alga.com.au/addressing-the-housing-crisis-report/>

safeguards or transfer infrastructure, financing and implementation obligations to councils without corresponding funding.

ALGA's response therefore focuses on matters of national importance to local government: housing-enabling infrastructure, implementation funding, developer contributions, approval coordination, shared accountability, council workforce and capability, regional and remote housing, First Nations housing and protection of Financial Assistance Grants. Detailed positions on individual zoning and built-form controls will continue to be developed in consultation with state and territory local government associations.

Summary of Recommendations

These recommendations build on ALGA's established advocacy on housing-enabling infrastructure, local government financial sustainability, regional and remote housing, workforce capability and Closing the Gap. Recommendations relating to specific land-use controls and approval pathways have been developed in response to the Commission's interim reform directions and will be informed by consultation with state and territory local government associations.

1. Apply upzoning, zoning and built-form reforms on an evidence-based and place-considerate basis, with councils playing a central role in determining appropriate locations for growth through local and regional strategic planning having regard to infrastructure, services, natural hazards, housing quality, accessibility, climate resilience, heritage and liveability.
2. Provide dedicated Commonwealth and state funding for,
 - workforce support,
 - common tools and systems,
 - maintaining current state and regional strategic planning frameworks, and
 - ensuring formal council involvement in infrastructure, hazard and environmental planning including through the EPBC Act.
3. Limit fast-track and deemed approval pathways to applications that are complete, compliant and genuinely low-risk, and exclude applications with outstanding information requirements, referrals, servicing, hazard or environmental risks.
4. Apply narrow eligibility criteria to state-significant development pathways, ensure formal and fairly compensated council involvement and allocate infrastructure and lifecycle costs before approval. Evaluate proposed expansions of state-led pathways against comparable council pathways, accounting for differences in powers, resources, infrastructure funding and project complexity.
5. Establish an end-to-end national accountability and reporting framework that accurately attributes delays and responsibilities across Commonwealth, state, territory and local governments, utilities, applicants, developers and the construction sector. Use existing datasets wherever possible and ensure additional reporting requirements on Councils are proportionate and funded.
6. Where digital or AI-enabled tools are used to support certificate verification, traceability, compliance checking or identification of potential non-conformity, governments should fund their implementation for local government and provide the training and capability development needed for councils to use them effectively. These tools should support, rather than replace, professional judgement and statutory decision-making.
7. Match all housing targets and rezoning decisions with costed, funded and sequenced infrastructure plans. Prioritise development within agreed infrastructure delivery programs and resolve the additional costs and responsibilities of out-of-sequence development before approval.

8. Provide direct funding, concessional finance and first-mover incentives for housing-enabling infrastructure. Establish a permanent, predictable funding program supporting both new infrastructure and upgrades to existing networks required for infill housing.
9. Maintain cost-reflective developer contributions that recognise cumulative impacts and permit deferred payments only where replacement or bridging finance prevents costs being transferred to councils and existing ratepayers. Review contribution caps, indexation and grant arrangements with local government to ensure adequate cost recovery, and fund shortfalls arising from government-imposed caps. Deferred-payment arrangements must also address cost escalation and non-payment risks.
10. Reject any link between Financial Assistance Grants and housing performance and ensure Commonwealth housing incentives are additional and dedicated.
11. Governments must assess and fund all local government implementation costs arising from the housing reforms, including digital and AI-enabled verification tools, systems integration, staff training and ongoing capability development. Assess and fund additional infrastructure, asset maintenance and renewal, service and regulatory obligations, including any reduction in infrastructure cost recovery.
12. Review the additional implementation needs of regional, rural and remote housing and assess the dedicated funding needs that reflect local delivery costs, market conditions and essential-worker housing needs.
13. Review the additional needs of First Nations Housing working with First Nations organisations and Councils, aligned with the Closing the Gap Priority Reforms and community-controlled delivery

Response to the Report

1. Best-practice housing regulatory systems

The Commission proposes four principles for a best-practice housing regulatory system: adopting a “build” mindset, regulating only where necessary, coordinating housing with infrastructure and keeping regulatory processes simple.

ALGA supports simpler, better coordinated regulatory systems and the Commission’s recognition that housing delivery must be matched by infrastructure. Councils support housing supply where it is safe, serviced, resilient and aligned with local strategic planning.

However, a “build” mindset must not make housing supply the overriding consideration in every planning decision. Councils have statutory responsibilities for public safety, natural hazards, environmental protection, accessibility, cultural heritage, liveability and infrastructure capacity. These responsibilities are legitimate public-interest functions, not simply regulatory barriers.

Above all keep housing reform place-based, protect legitimate public-interest outcomes and fully fund implementation.

2. Unlocking more homes through better land-use regulation

The Commission proposes broad upzoning, including three-storey development across most residential land, more medium- and higher-density housing in high-demand areas, reduced minimum lot sizes and increased residential development in commercial zones. It also proposes reducing or removing parking, heritage, neighbourhood-character and built-form controls⁶.

2.1 Broad upzoning and increased density

ALGA supports increased density in appropriate locations, where housing can be supported by existing or funded transport, utilities, community infrastructure and services.

A blanket requirement permitting three-storey development across most residential land would not adequately reflect differences in:

- infrastructure and utility capacity;
- flood, bushfire, coastal and other hazards;
- biodiversity and tree canopy;
- cultural heritage;
- transport accessibility;
- local housing markets; and
- regional and remote settlement patterns.

Blanket upzoning can be short-sighted where it is not based on good strategic planning. Any increase to housing supply should be done through evidence-based, place-specific planning that reflects community need, infrastructure capacity and the suitability of land for housing and other uses. Uniform density controls can create unintended consequences in areas affected by flood, bushfire, evacuation constraints, limited sewer or water capacity, local road constraints, biodiversity values or infrastructure backlogs. National reform should establish broad housing outcomes rather than prescribe uniform local planning controls.

The Queensland experience illustrates the importance of distinguishing planned housing capacity from completed homes. LGAQ identifies substantial volumes of zoned land and approved residential

⁶ Productivity Commission, *Housing Supply Regulation: Interim Report*, July 2026, pp. 37–58, <https://www.pc.gov.au/inquiries-and-research/housing-supply/interim/>

development that have not yet progressed to delivery. The Commission should examine the infrastructure, financing, construction and market constraints affecting this pipeline and prioritise measures that enable viable approved development to proceed. Additional zoned capacity should be assessed against demonstrated local need and the capacity to service and deliver that growth.⁷

2.2 Minimum lot sizes and mixed-use development

ALGA supports local governments reviewing minimum lot-size requirements to ensure they are fit for purpose and allowing residential development in suitable commercial areas where existing controls unnecessarily prevent appropriate housing. However, determining appropriate locations for housing and other land uses must be based on good strategic planning that takes into account community need, a solid evidence base and infrastructure capacity.

LGANT advises that the Northern Territory has recently reviewed its infill policy, including reducing the minimum lot size from 800 m² to 450 m², allowing multiple dwellings on a single Low Density Residential (LR) lot, reducing frontage requirements for smaller lots and enabling battle-axe subdivisions and small-scale infill models such as duplexes and dwelling groups. These changes illustrate the importance of considering existing jurisdictional reforms when developing national recommendations. Their contribution to housing supply will also depend on infrastructure capacity, servicing and development feasibility.

Reduced lot sizes should only apply where servicing, access, waste collection, stormwater, emergency access and neighbourhood amenity can be appropriately managed. Smaller lot sizes may be unsuitable where sewerage, stormwater, road access or other services are unavailable, or the cost to upgrade is beyond feasible means without significant investment or large disruption to businesses and community hubs. Unrestricted residential development in commercial zones may also displace retail and other employment land opportunities, potentially impacting on job supply targets, or create land-use conflicts.

2.3 Heritage, neighbourhood character and built-form controls

ALGA supports reviewing controls that are outdated, duplicative or unsupported by evidence.

However, these controls should not be treated as “red tape” by default, because they often manage real public-interest outcomes such as urban heat, accessibility, tree canopy, design quality and disaster resilience. The report places greater weight on development feasibility than on the public benefits of planning and design controls. Minimum dwelling dimensions, private open space, accessibility requirements, setbacks and tree-canopy provisions can support housing quality, climate resilience and long-term liveability.

The report also relies on flawed research. Box 2.2 cites a Grattan report suggesting that heritage overlays “lock up” housing or reduce the likelihood of substantial housing development in inner Melbourne by 50%. This overlooks the many buildings within heritage precincts that have no heritage value, as well as the scope to redevelop buildings that do contribute to a precinct’s heritage character. ALGA rejects these findings.

Recommendation 1: Apply upzoning, zoning and built-form reforms on an evidence-based and place-considerate basis, with councils playing a central role in determining appropriate locations for growth through local and regional strategic planning, having regard to infrastructure, services, natural hazards, housing quality, accessibility, climate resilience, heritage and liveability.

⁷ Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 15–17.

3. Reducing the burden of approvals

The Commission proposes earlier strategic assessment, expanded fast-track pathways, pattern-book development, state-significant approval pathways, improved referral coordination, greater use of technology and more public reporting⁸.

3.1 Strategic planning and early resolution of constraints

ALGA strongly supports resolving infrastructure, biodiversity, flood, bushfire, utility and servicing issues through strategic planning rather than leaving these matters to individual applications.

Strategic planning arrangements must recognise differences in responsibilities across jurisdictions. LGANT advises that Northern Territory councils are not responsible for land release, housing delivery or the provision of housing-enabling infrastructure. Councils must nevertheless be involved early in infrastructure sequencing and service planning where growth will create future council asset ownership, maintenance, renewal or service delivery obligations. Those obligations, and the funding required to meet them, should be agreed before assets or responsibilities are transferred to councils.

Effective strategic planning also depends on state and regional planning frameworks being current, or even in place. For example, it is the view of rural and regional Councils in Victoria that the first, whole Plan for Victoria largely focusses on metropolitan planning issues and regional growth and planning. The Plan for Victoria replaced the previous Regional Growth Plans which had not been updated in a decade. In some jurisdictions, councils are required to prepare local strategies and make local planning and infrastructure decisions within higher-level (regional) strategic plans that have not kept pace with population growth, changing settlement patterns, infrastructure constraints or current housing targets. Governments should regularly review and update these frameworks so that local plans, infrastructure investment and housing objectives are based on a common and contemporary strategic framework.

This direction is also consistent with recent *Environment Protection and Biodiversity Conservation Act* (EPBC) reforms, which seek to resolve environmental issues earlier through strategic assessments and bioregional planning. While supported in principle, at time of submission, ALGA has not seen a formal process for developing strategic assessments and bioregional plans, nor how local government's role as a local broker and planner for economic, social, and environmental outcomes will be systematically incorporated.

Councils will require sufficient and well-funded strategic planning resources along with additional technical capacity to undertake infrastructure planning, hazard mapping, environmental analysis and planning scheme amendments to implement new housing targets. Ensuring there is alignment between plans for hazards like flooding and fire against the need for new housing supply must be a necessary consideration, in so that those plans are not in conflict.

Strategic planning must account for existing and projected flood, bushfire and coastal hazards, including how climate change may alter those risks over the life of new housing. Housing targets should not result in development being directed to locations where risks to life and property cannot be adequately managed.

⁸ Productivity Commission, *Housing Supply Regulation: Interim Report*, July 2026, pp. 61–84, <https://www.pc.gov.au/inquiries-and-research/housing-supply/interim/>

Recommendation 2: Provide dedicated Commonwealth and state funding for,

- **workforce support,**
- **common tools and systems,**
- **maintaining current state and regional strategic planning frameworks, and**
- **ensuring formal council involvement in infrastructure, hazard and environmental planning including through the EPBC Act.**

3.2 Fast-track and deemed-to-comply pathways

ALGA supports risk-based and deemed-to-comply pathways for genuinely low-risk development where standards are clear and applications are complete.

The Commission also canvasses minimal third-party input, short assessment periods and approval by default where council timeframes are exceeded.

The report acknowledges that requests for further information are often necessary because applications are incomplete. It also recognises that council assessment times may exclude delays caused by applicants.

Approval-by-default mechanisms are inappropriate where applications remain incomplete or where infrastructure, servicing, environmental, hazard or referral issues have not been resolved. Faster approvals should result from better information, clearer standards and improved coordination, not the automatic approval of developments where key risks remain unassessed. Such approaches risk transferring unresolved costs, liabilities and impacts to councils, infrastructure providers and local communities.

Recommendation 3: Limit fast-track and deemed approval pathways to applications that are complete, compliant and genuinely low-risk, and exclude applications with unresolved information, referral, servicing, hazard or environmental risks.

3.3 State-significant approval pathways

ALGA supports state-led pathways for genuinely strategic developments with cross-boundary impacts or substantial state agency involvement.

ALGA does not support assessment arrangements that routinely override council planning schemes, decision making or exclude meaningful local government participation as a baseline.

State approval decisions may create infrastructure, service and asset-management obligations that remain with councils beyond the completion of the project. These impacts must be resolved before approval. Councils must be resourced to manage the complexity of the project after approval, including contributors towards infrastructure upgrades and the wrap-around community services..

Before recommending wider use of alternative state-led approval pathways, the Commission should compare their performance with council pathways on a like-for-like basis. This assessment should consider project complexity, statutory powers, staffing, infrastructure funding and charging arrangements, and progression from approval to construction. LGAQ highlights that Economic Development Queensland operates under different infrastructure charging and planning arrangements from councils. Differences in outcomes should not be attributed to the identity of the decision-maker without examining these underlying conditions.⁹

⁹ Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 19–20 and 23–24.

Recommendation 4: Apply narrow eligibility criteria to state-significant development pathways, ensure formal council involvement and allocate infrastructure and lifecycle costs before approval. Any proposed expansions of state-led pathways should be evaluated against comparable council pathways, accounting for differences in powers, resources, infrastructure funding and project complexity.

3.4 Approval reporting, technology and artificial intelligence

ALGA supports improved digital systems, transparent reporting and carefully governed use of artificial intelligence as a tool to assist professional judgement..

Council-level reporting may create misleading comparisons where it does not account for incomplete applications, applicant response times, referral agencies, utilities, appeals and infrastructure delivery.

The Commission should establish an evidence-based picture of where time is spent across the approval process before prescribing further reforms. Analysis should distinguish active assessment from periods awaiting applicant information, agency advice or utility decisions, and account for application complexity and local circumstances. Existing public and administrative datasets should be used wherever possible, with any additional reporting requirements proportionate and funded.¹⁰

ALGA supports artificial intelligence as a tool to assist, rather than replace, accountable professional judgement.

Recommendation 5: Establish an end-to-end national accountability and reporting framework that attributes delays and responsibilities across Commonwealth, state, territory and local governments, utilities, applicants, developers and the construction sector. Use existing datasets wherever possible and ensure additional reporting requirements are proportionate and funded.

Recommendation 6: Where digital or AI-enabled tools are used to support certificate verification, traceability, compliance checking or identification of potential non-conformity, governments should fund their implementation for local government and provide the training and capability development needed for councils to use them effectively. These tools should support, rather than replace, professional judgement and statutory decision-making.

4. Delivering housing-enabling infrastructure

The Commission recognises that infrastructure is frequently a binding constraint on housing supply and proposes better alignment between housing plans, infrastructure plans, rezoning and infrastructure delivery¹¹. ALGA welcomes the Commission's insights into this space, and local government in particular is well placed to provide the data and experience of how infrastructure lags slow down housing supply, and lead to disconnected and incomplete communities.

4.1 Infrastructure planning and sequencing

This is supported by longstanding ALGA policy.

ALGA calls for better policy to bring about::

- earlier identification of infrastructure requirements;
- coordination between councils, states, utilities and housing agencies;
- alignment of rezoning with infrastructure delivery;
- clear allocation of responsibilities; and

¹⁰ Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 18–19.

¹¹ Productivity Commission, *Housing Supply Regulation: Interim Report*, July 2026, pp. 85–107, <https://www.pc.gov.au/inquiries-and-research/housing-supply/interim/>

- transparent reporting of infrastructure commitments.

Housing targets and rezoning decisions must be supported by costed plans that identify funding, delivery timeframes, asset ownership and ongoing maintenance responsibilities.

Reforms should encourage development within agreed growth areas and infrastructure delivery programs. Out-of-sequence development can divert limited investment from planned projects and impose additional costs on councils and utilities. Where development is proposed outside the agreed sequence, its infrastructure requirements, funding, delivery timing and ongoing responsibilities should be resolved with the affected councils and infrastructure providers before approval.¹²

Recommendation 7: Match all housing targets and rezoning decisions with costed, funded and sequenced infrastructure plans. Prioritise development within agreed infrastructure delivery programs and resolve the additional costs and responsibilities of out-of-sequence development before approval.

4.2 Adequacy of infrastructure funding

The Commission identifies contribution caps, rate caps, uncertain grant funding and restrictions on the use of developer contributions as constraints on councils. It nevertheless considers the overall adequacy of infrastructure funding outside its terms of reference.

ALGA considers this a significant limitation. Infrastructure planning and coordination cannot be separated from funding availability.

The Commission also identifies potential Commonwealth roles, including direct funding, concessional finance and assistance with first-mover costs.

A permanent and predictable housing-enabling infrastructure program would allow councils and other infrastructure providers to plan investment over multiple years and maintain a reliable delivery pipeline. Funding should support both new infrastructure in growth areas and the renewal or augmentation of existing networks required for infill housing. Short-term funding rounds should form part of a sustained funding framework that reflects the time required to plan, procure and deliver infrastructure.¹³

Recommendation 8: Provide direct funding, concessional finance and first-mover incentives for housing-enabling infrastructure. Establish a permanent, predictable funding program supporting both new infrastructure and upgrades to existing networks required for infill housing.

4.3 Developer contributions

The Commission supports cost-reflective contributions with a clear nexus to development and proposes upfront estimates, greater consistency, central reporting and staged or later payments.

ALGA supports predictable, transparent and cost-reflective contribution frameworks.

However, a narrow interpretation of links to infrastructure may prevent councils from recovering cumulative network and community-infrastructure costs generated by growth. State-wide consistency must also allow contribution amounts to reflect differences in local infrastructure costs.

For example, LGAQ identifies a persistent gap between infrastructure contributions and the cost of delivering growth-related infrastructure in Queensland. This reinforces the need to assess whether contribution caps, indexation arrangements and supporting grants allow councils to recover an appropriate share of those costs. Commonwealth, state and territory governments should undertake this work with local government associations and councils. Where a government limits contributions below the properly

¹² Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 23.

¹³ Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 21–22 and 30.

apportioned cost of growth-related infrastructure, it should provide funding to address the resulting shortfall.¹⁴

Staging or delaying payments may assist developer cash flow but it will leave councils without the funds required to deliver infrastructure before residents arrive. This will likely result in cost-shifting to councils. Deferral also exposes councils to construction cost escalation and the risk of non-payment. Any deferred-payment arrangement should identify who bears these risks and provide appropriate indexation, payment security and bridging finance.

Recommendation 9: Maintain cost-reflective developer contributions that recognise cumulative impacts and permit deferred payments only where replacement or bridging finance prevents costs being transferred to councils and existing ratepayers. Review contribution caps, indexation and grant arrangements with local government to ensure adequate cost recovery, and fund shortfalls arising from government-imposed caps. Deferred-payment arrangements must also address cost escalation and non-payment risks.

5. Toward more homes, faster and Commonwealth implementation

The Commission considers how the Australian Government could support implementation through funding, incentives and potential “carrot and stick” arrangements¹⁵.

5.1 Financial Assistance Grants

The report cites a stakeholder proposal to link Local Government Financial Assistance Grants to housing targets, including reducing funding for councils considered to be underperforming. ALGA understands that this is not a formal Commission recommendation, however it is cited as an option to explore in the final report.

ALGA strongly opposes this proposal.

Local governments are integral to economic, social, and environmental service delivery, enhancing community liveability and productivity. Research and analysis commissioned by ALGA highlights the clear productivity and macroeconomic benefits of well-funded, financially sustainable local government. ALGA has drafted [several submissions](#) to the recent [Inquiry into local government sustainability](#) to highlight these issues.

Financial Assistance Grants are untied payments that support horizontal fiscal equalisation and the ongoing provision of these essential local services.

Councils do not control many factors influencing housing delivery, including:

- state planning policy and land release;
- Commonwealth and state environmental approvals;
- utility delivery;
- development finance;
- construction capacity;
- developer decisions; and
- market feasibility.

¹⁴ Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 24–26.

¹⁵ Productivity Commission, *Housing Supply Regulation: Interim Report*, July 2026, pp.114, <https://www.pc.gov.au/inquiries-and-research/housing-supply/interim/>

The Northern Territory demonstrates why housing performance is an inappropriate basis for allocating Financial Assistance Grants. LGANT advises that NT councils do not exercise planning approval powers and do not control land release, rezoning or housing development decisions. Linking grants to housing outcomes would therefore risk penalising councils for decisions and delivery responsibilities held by other governments, while reducing their capacity to maintain infrastructure and provide essential community services.

Reducing grants would weaken councils' capacity to provide the infrastructure and services required to support additional housing and reduce capacity to deliver all other services to existing residents. Such a proposal risks a 'perfect storm' for local governments; weak housing construction markets leading to a reduced funding for councils where development feasibility is the worst, leading to reduced infrastructure funding for those councils, leading to even further reduced capacity to host growing communities.

Any Commonwealth housing incentives must be additional to existing funding and directed towards infrastructure and capability.

The proposal is simply unworkable and should be ignored by the Commission.

Any reform package recommended by the Productivity Commission should be accompanied by an assessment of its full financial implications for local government. This should cover changes to infrastructure cost recovery, capital works, asset maintenance and renewal, service obligations, assessment and compliance activities, and implementation systems and workforce requirements. Additional responsibilities must be matched by commensurate funding, with no further transfer of unfunded costs to councils and communities.¹⁶

Recommendation 10: Reject any link between Financial Assistance Grants and housing performance and ensure Commonwealth housing incentives are additional and dedicated.

Recommendation 11: Governments must assess and fund all local government implementation costs arising from the housing reforms, including digital and AI-enabled verification tools, systems integration, staff training and ongoing capability development. Assess and fund additional infrastructure, asset maintenance and renewal, service and regulatory obligations, including any reduction in infrastructure cost recovery.

5.2 Shared accountability

Several parts of the report focus on council approval performance even though housing delivery depends on decisions across governments, utilities, developers and the construction sector.

No single level of government should be held responsible for outcomes outside its direct control. Performance reporting should distinguish between council assessment time, applicant delay, agency referrals, utility delays, court/appeal processes, infrastructure delivery and construction commencement.

6. Cross-cutting gaps

Regional, rural and remote housing

The report's principal land-use reforms are largely directed towards metropolitan density, in places like the state capitals and some of the larger regional cities.

¹⁶ Local Government Association of Queensland, Housing supply regulation – Interim report, preliminary draft submission supplied to ALGA, pp. 10 and 24–26.

These reforms will have limited effect in markets outside of these areas that are often constrained by high construction costs, small market size, workforce shortages, limited competition and weak project feasibility¹⁷.

Regional and remote housing requires a different policy response, including direct infrastructure investment, workforce measures, government procurement and support for councils with limited technical capacity.

The Productivity Commission should review how regional, rural and remote councils need dedicated funding that reflects local delivery costs, market conditions and essential-worker housing needs

Recommendation 12: Review the additional implementation needs of regional, rural and remote housing and assess the dedicated funding needs that reflect local delivery costs, market conditions and essential-worker housing needs.

First Nations housing

The interim report seeks further information on Closing the Gap but does not yet provide a substantive First Nations housing review and analysis.

The final report must align with the Closing the Gap Priority Reforms, including genuine partnership, shared decision-making and support for Aboriginal and Torres Strait Islander community-controlled organisations¹⁸.

Recommendation 13: Review the additional needs of First Nations Housing working with First Nations organisations and Councils, aligned with the Closing the Gap Priority Reforms and community-controlled delivery

Council workforce and capability

The proposed reforms would require councils to undertake additional strategic planning, infrastructure modelling, digital reporting, environmental analysis and accelerated assessment¹⁹.

These obligations will be particularly difficult for smaller regional and remote councils unless implementation support is provided.

Further to this, local government is the largest employer of urban and regional planners in the Country. The local government sector therefore has a rich and deep source of knowledge that remains largely untapped for housing affordability issues.

See Recommendation 2.

Alignment with EPBC Act assessment reforms

ALGA supports the broad alignment between the Commission's proposed approval reforms and recent reforms to the EPBC Act. Both favour earlier strategic assessment, clearer requirements and risk-based

¹⁷ National Housing Supply and Affordability Council, *State of the Housing System 2026*, April 2026, Chapters 1, 2 and 5, <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>

¹⁸ National Housing Supply and Affordability Council, *State of the Housing System 2026*, April 2026, Chapter 5, <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>

¹⁹ Australian Local Government Association, 'Local Government Workforce Skills and Capability Survey', 9 December 2025, <https://alga.com.au/local-government-workforce-skills-and-capability-survey/> (accessed 28 July 2026).

pathways that allow straightforward projects to proceed more efficiently while retaining appropriate safeguards. The Commission's terms of reference expressly require it to consider the EPBC reforms.

The reformed EPBC framework provides a useful model for housing approvals. Fast tracking is available only where proponents provide complete information and satisfy applicable legal and environmental standards, while more complex projects remain subject to fuller assessment. ALGA supports a similar approach for genuinely low-risk and compliant housing developments which will not have unacceptable cumulative impacts. Faster assessment should result from complete applications, clear standards and proportionate scrutiny, not weaker safeguards or automatic approval of unresolved matters.

ALGA's submissions²⁰ on EPBC Act National Environmental Standards have similarly recommended robust safeguards. ALGA states that approval pathways should be supported by clear, objective and enforceable standards that reduce uncertainty for applicants and decision-makers alike. Where strategic planning and streamlined pathways are used, decisions should remain evidence-based and transparent, including clear recognition of information gaps, assumptions and uncertainties.

The EPBC reforms also intend to better leverage strategic and landscape-scale assessment. Strategic assessments and bioregional plans can identify appropriate development areas, which actions are permitted in which areas, establish conditions and address cumulative impacts before individual projects are lodged. This aligns with the Commission's proposal to undertake flood, bushfire, biodiversity and infrastructure analysis at the suburb or locality level and incorporate the outcomes into planning schemes²¹.

Local government must be formally involved in these processes, including determining which level of government is best suited to collecting information of different types and how it can be used collaboratively. For example, in some jurisdictions, councils prefer that the state government be responsible for flood mapping given its extent generally occurs at regional scale, and similarly, that flood is also best planned for collaboratively with the state and neighbouring councils. Councils hold detailed information about local biodiversity, natural hazards, infrastructure capacity and land-use conflicts, and will often manage the long-term consequences of development decisions. Any expansion of strategic assessment, bioregional planning or accredited approval arrangements must include council participation and adequate implementation funding.

The central principle should be that faster approvals result from better information, earlier assessment and stronger coordination, not reduced safeguards or the transfer of unresolved risks to councils and communities.

Relationship with the State of the Housing System 2026

ALGA notes that the Productivity Commission's interim report is broadly consistent with the National Housing Supply and Affordability Council's *State of the Housing System 2026* in recognising the need for more housing, genuinely development-ready land, more efficient regulatory systems and better coordination of housing with infrastructure.

The Housing Council's analysis, however, demonstrates that regulatory reform is only one part of the housing supply response. Whether additional zoned capacity and development approvals translate into completed homes also depends on infrastructure funding, construction-sector capacity, workforce

²⁰ Australian Local Government Association, 'EPBC Act reforms: National Environmental Standards', June 2026, <https://alga.com.au/submission-on-the-draft-national-environmental-standards-matters-of-national-environmental-significance-and-offset-costs/>

²¹ Department of Climate Change, Energy, the Environment and Water, 'More efficient and robust project assessments', updated 1 July 2026, <https://www.dcceew.gov.au/environment/epbc/epbc-act-reform/more-efficient-robust-epbc-act-project-assessments>

availability, project finance, commercial feasibility and sustained investment in social and affordable housing. The Commission's final report should therefore place its regulatory recommendations within a broader, whole-of-system housing strategy²².

The Housing Council also reinforces the need for place-based reform. Metropolitan planning measures such as broad upzoning and reduced lot sizes will not address housing shortages in regional, rural and remote markets where development may be constrained by high construction and transport costs, limited workforce capacity, small markets and weak commercial returns. These communities require differentiated infrastructure, workforce, procurement and market-development measures. **See Recommendation 12.**

Housing quantity must also be balanced with quality, accessibility, safety and environmental sustainability. ALGA supports reviewing planning and built-form controls that are outdated, duplicative or unsupported by evidence. However, controls should not be removed solely because they affect development yield. Councils must retain the ability to apply evidence-based, place-specific requirements that protect housing quality, climate resilience, accessibility, heritage and liveability. **See Recommendation 1.**

The Housing Council's whole-of-system approach also supports ALGA's position that council approval performance cannot be treated as a proxy for housing delivery. Performance reporting must account for applicant delays, referrals, utility connections, infrastructure delivery, appeals, financing and construction. Housing responsibilities and accountability should be shared across governments, infrastructure providers, developers and the construction sector. **See Recommendation 5.**

The Housing Council provides a stronger framework for First Nations housing than the interim report, including genuine shared decision-making, dedicated support and community-controlled delivery. ALGA recommends that the Commission develop its final First Nations housing proposals in partnership with First Nations organisations and align them explicitly with the Closing the Gap Priority Reforms. **See Recommendation 13.**

Finally, the Housing Council's analysis confirms that housing outcomes are influenced by factors well beyond council control. This further supports ALGA's opposition to linking Financial Assistance Grants to housing targets or approval performance. Commonwealth housing incentives should be additional, dedicated and directed towards infrastructure and implementation capability. **See Recommendation 10.**

Overall, the final report should ensure that regulatory reform supports, rather than substitutes for, the infrastructure investment, workforce capacity, housing quality, regional responses and intergovernmental coordination required to convert approvals into serviced, viable and fit-for-purpose homes.

Conclusion

ALGA supports reforms that increase housing supply through better planning, clearer coordination and more efficient assessment. However, regulatory change will only produce additional homes where infrastructure is funded, delivery responsibilities are clear and reforms reflect local conditions. The Commission's final recommendations should treat local government as a delivery partner, protect councils from unfunded obligations and establish shared accountability across governments, utilities and the development sector.

²² National Housing Supply and Affordability Council, *State of the Housing System 2026*, April 2026, particularly Chapter 1 <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>

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