



HomeBuilder National Partnership Agreement Review

Department of the Treasury
Review Report

31 October 2022

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1 Context and overview

On 4 June 2020, the former Prime Minister, former Commonwealth Treasurer and former Commonwealth Minister for Housing announced the introduction of the HomeBuilder Program (HomeBuilder) to drive economic activity and support jobs in the residential construction sector during the COVID-19 pandemic. Specifically, the intended outcomes of HomeBuilder were to drive demand for new homes and substantial renovations, boost confidence in the sector, and financially assist eligible owner-occupiers. HomeBuilder provided all eligible owner-occupiers with a grant of \$25,000 for eligible contracts entered into between 4 June 2020 and 31 December 2020. Later a \$15,000 grant was introduced for eligible contracts between 1 January 2021 and 31 March 2021 to build a new home or substantially renovate an existing home.

The HomeBuilder National Partnership Agreement (NPA) was established to support implementation of the program. The objectives of the HomeBuilder NPA (as outlined in clause 15 of the NPA itself) are to provide a framework for the parties to work cooperatively to support the residential construction industry through COVID-19 to boost confidence in the sector, and to financially assist eligible owner-occupiers. The NPA outlines HomeBuilder's intended outcomes and outputs; reporting, financial and governance arrangements; roles and responsibilities; and guidelines. The NPA was signed by the Commonwealth on 12 June 2020, and by all jurisdictions by 2 July 2020. Two variations were made to the NPA; on 29 November 2020 to introduce the \$15,000 grant and extend the construction commencement timeframe, and on 17 April 2021 to again extend the commencement timeframe.

2 Purpose of the NPA review

This review of the HomeBuilder NPA (which is required, as per clauses 35-37 of the NPA itself) is to consider whether HomeBuilder achieved the agreed objectives and outcomes of the NPA, and the role of the NPA in facilitating this. Specifically, this report provides stakeholder insights and Treasury perspectives, as well as future design considerations, on the following key topics:

Key topics



- 1) Implementation and performance** – The effectiveness of the NPA at delivering the objectives, outcomes and outputs of the HomeBuilder program (as outlined in clauses 15-17 of the NPA)
- 2) Roles and responsibilities** – The extent to which the Commonwealth and jurisdictions have fulfilled their roles and responsibilities under the NPA (as outlined in clauses 19-21)
- 3) Performance monitoring and reporting** – The utility of the performance indicators and reporting arrangements under the NPA (as outlined in clauses 23-27), with consideration of the adequacy and quality of the data and information reported under the NPA
- 4) Financial arrangements** – The effectiveness and appropriateness of the financial arrangements under the NPA (as outlined in clauses 28-33).

This review did not assess the achievement of outcomes and impacts of the HomeBuilder program itself.

3 Review approach

KPMG was engaged by the Commonwealth Department of the Treasury (the Treasury) to support this review by conducting all fieldwork and preparing this report. The review was guided by the key overarching topics outlined in the section above. Specifically, the review focused on gathering information through the data collection methods outlined in Table 1.

Table 1. Review approach

Data collection method	Focus
Documentation and data review	Analysed and synthesised insights from reviewing the following: <ul style="list-style-type: none"> • HomeBuilder NPA • HomeBuilder program documentation including the Program Management Plan (in draft), May and June Data Dashboards, and example of jurisdiction’s weekly report • Initial HomeBuilder forecasting data.
Consultations with jurisdictions (i.e., relevant state and territory agencies, being revenue offices and treasuries) <i>See Appendix A for a list of stakeholders consulted</i>	Met with jurisdictions’ State Revenue Office and treasury staff to: <ul style="list-style-type: none"> • Provide jurisdictional context and insights into the administration of the HomeBuilder NPA, including its design, implementation and early consultation process • Explore questions about the NPA’s role in the delivery of HomeBuilder • Explore questions on roles and responsibilities, including collaboration between jurisdictions and with the Treasury, and the appropriateness of the roles and responsibilities ascribed to the jurisdictions • Explore questions on the reporting and financial arrangements • Discuss lessons learned and opportunities to improve the HomeBuilder NPA and future NPAs.
Consultations with the Treasury	Met with the Treasury staff involved in the program management of HomeBuilder to: <ul style="list-style-type: none"> • Provide context and insights into HomeBuilder and the NPA • Explore questions on the initial announcement of HomeBuilder, its rollout, and design of the NPA • Explore questions about the NPA’s role in the delivery of HomeBuilder • Explore questions about the Treasury’s role as outlined in the NPA • Share perspectives on insights and findings from consultations with the jurisdictions.

Qualitative data collected using the methods identified above was analysed and synthesised to produce detailed results. This was done by using the thematic analysis method which broadly refers to the analysis of a wide range of qualitative information, such as stakeholder interview notes and information gained from program documentation, and its synthesis into a collection of themes that can be used to answer questions.

4 Findings – Implementation and performance

Did the NPA effectively deliver the objectives, outcomes and outputs of the HomeBuilder program?



A summary of findings and future design considerations is provided below.

Insights

- Ultimately, the NPA supported effective delivery of HomeBuilder and the achievement of intended objectives, outcomes and outputs outlined in the agreement. Despite mixed perspectives on the need for HomeBuilder, it was understood that there was a national imperative for financially stimulating the sector given the impact of the COVID-19 pandemic. The NPA provided a framework to support this. The NPA's effectiveness is evidenced by the stimulatory impact it had on the sector where demand for financial support far exceeded initial expectations.
- Jurisdictions identified that 'overheating' occurred in the residential construction industry (see Appendix B for more information). This view is due, in part, to the increase in construction activity facilitated by the HomeBuilder NPA. This did result in land, material and labour supply issues.
- It is critical to note that this would have been just one factor. Broader supply chain issues due to the COVID-19 pandemic were another, much more impactful factor. Other external factors contributing to market overheating included jurisdictions' own residential construction grants and other COVID-19 fiscal stimulus policies. However, some jurisdictions did question the effectiveness of the HomeBuilder NPA given the view that it did partially contribute to industry issues.
- Initial forecasting and the NPA design were based on the three-month commencement timeframe (to support applicants ready to begin construction in a short timeframe), the \$25,000 grant, and the NPA expiring on 31 December 2020. Subsequently, the NPA expiry date and the commencement timeframes were extended twice, and a \$15,000 grant introduced. The jurisdictions noted that these changes resulted in some implementation challenges.
- Jurisdictions were not made aware of HomeBuilder until it was first publicly announced. Jurisdictions stated that they were not appropriately consulted in the design of the NPA before it had been signed and implemented. This created implementation challenges, in particular dealing with public enquiries and meeting public expectations for a program that they had little design input in.
- A key lesson learned was the need for the Treasury to consult earlier with jurisdictions to leverage their grants administration expertise, particularly prior to public announcements. Many issues that arose in the NPA's early design and implementation could have been resolved with earlier consultation.
- There were a number of issues regarding the detail of the NPA, which created difficulty with its application. These included:
 - Specific requirements that were not fit-for-purpose. For example, as indicated above the construction commencement timeframe was changed, with jurisdictions of the view that the provision was otherwise unreasonable and not fit-for-purpose. The extensions were required to better support application of the NPA and challenges faced by applicants.
 - Aspects of the NPA that did not provide sufficient guidance. Examples noted by jurisdictions included the definition of substantial renovation, citizenship requirements, status of draft or incomplete applications, permissibility of replacement contracts and which financial year to use for income cap requirements.
 - Prescriptive aspects of the NPA that did not empower jurisdictions to use reasonable discretion, and created inconsistencies. Being unable to exercise discretion to grant applicants or recipients whose capacity to meet construction deadlines and income requirements were impacted by NPA changes or external factors was cited as examples by jurisdictions.

Future design considerations

- **Early consultation with jurisdictions to leverage their expertise and knowledge of local operating environments.** This would enable jurisdictions to provide input on the appropriateness of NPA terms and conditions, explore its details, and test the feasibility of its planned administration.

5 Findings – Roles and responsibilities

To what extent have the Commonwealth and jurisdictions fulfilled their roles and responsibilities under the NPA?



A summary of findings and future design considerations is provided below.

Insights

- Jurisdictions were generally comfortable with the roles and responsibilities as outlined in the NPA. Roles were considered typical of previous NPAs. Collaboration between the jurisdictions worked well in identifying and addressing issues, with their collective queries and positions conveyed to the Treasury via a nominated jurisdictional representative. However, some jurisdictions did note some level of risk that was imposed on them by the roles and responsibilities outlined in the NPA, and expressed firmly that the level of risk should not be viewed as acceptable for future NPAs. These jurisdictions felt exposed in their role as administrators due to the multiple issues with specific details of the NPA and insufficient guidance (as outlined in section 4 of this report), which they had little input in during the design stage and were not all addressed through feedback to the Treasury.
- Jurisdictions could fulfil their role outlined in the NPA as administrators of HomeBuilder, however it was not without significant challenges. These challenges included staff capacity (administering the NPA in addition to their business-as-usual (BAU) workload), difficulty aligning HomeBuilder NPA administration with existing First Home Owners' Grant (FHOG) processes as directed by the NPA, and difficulty managing community expectation with the lack of information made available to jurisdictions in advance.
- There was a desire for a more active role from the Commonwealth in the administration of the NPA. Whilst the Treasury met and continues to meet its obligations as the owner and funder of HomeBuilder, it was preferable for the NPA to provide scope for the Treasury to take a more active leadership role. There was insufficient recognition at the Commonwealth level of the challenges and costs associated with its administration.
- The Treasury noted that where possible it did consider feedback from the jurisdictions. However, policy decisions on HomeBuilder were already established and, in some instances, the Treasury was not always able to incorporate jurisdictional feedback. The Treasury also advised that the devolved administration of the NPA meant that it could not always provide the specific guidance requested by the jurisdictions.
- The Treasury's limited experience in administering grants programs of this nature, and jurisdictions' existing program delivery role, were a key reason in relying on jurisdictions to administer the HomeBuilder NPA.

Future design considerations

- **Maintain inter-jurisdictional collaboration and appointment of a jurisdiction to lead consultation with the Treasury.** These measures encouraged cooperation and simplified communications with the Treasury. Maintaining these, potentially with more formalised governance or oversight for reporting purposes, should be considered.
- **More active leadership by the Treasury.** This would facilitate greater visibility and accountability, better sharing of insights, and better identification of issues. It could also support jurisdictions' improved understanding of what can be changed and Government decisions.
- **Earlier consultation with jurisdictions to test the feasibility of leveraging existing programs, schemes and related process to administer an NPA.** This would help to avoid or mitigate issues with administration, for example the alignment with FHOG.

6 Findings – Performance monitoring and reporting

What is the utility of the performance indicators and reporting arrangements under the NPA, with consideration of the adequacy and quality of the data and information reported?



A summary of findings and future design considerations is provided below.

Insights

- Performance monitoring and reporting arrangements outlined in the HomeBuilder NPA were mostly considered fit-for-purpose. The types of data jurisdictions were expected to collect were considered reasonable and consistent with other NPAs and similar schemes.
- There was some difficulty standing up performance monitoring systems and processes. For example, the NPA's specification that systems be aligned with FHOG, was not practicable in many respects. In addition, the need to stand-up the NPA quickly meant a variety of application methods were required, including paper application forms which were manually digitised, adding to the administrative burden.
- Ad hoc reporting reporting was considered burdensome by many jurisdictions. Examples included reporting on postcode data, regional versus metropolitan, application status, ministerial requests, and impact of flooding on construction timeframes. These were beyond the scope of the NPA, and jurisdictions' capacity to meet these requests varied. Some ad hoc requests could not have been foreseen at the time that the NPA was designed, with data related to natural disasters and their impact on HomeBuilder being a prime example. Also, where jurisdictions were unable to meet ad hoc requests for data not mandated by the NPA, the Treasury accepted this advice.
- This review of the NPA is coming too late. The chief criticism in this regard was that conducting the review this late makes it very difficult to incorporate any of the learnings which have emerged over the life of the NPA. Earlier, or more frequent reviews, of the HomeBuilder NPA would have been beneficial, and more appropriate for a program of this scale and size. This would have provided the Treasury with better oversight of the HomeBuilder NPA's administration, and an opportunity to implement lessons learned.
- The Treasury suggested that design of the HomeBuilder NPA should have incorporated better data capturing such that it included consistent standards and provided jurisdictions with clear expectations on what would be required. More detailed exploration of data requirements during the NPA's design phase would have been beneficial.

Future design considerations

- **Provision funding for NPA administration, to support timely design and development of systems and processes.** *See future design considerations in section 7 for detail.*
- **Build in comprehensive, detailed reporting obligations to the NPA at the outset.** Specifically, more collaborative design at the beginning of the NPA process would result in jurisdictions being able to design and implement processes and systems that meet obligations, and allow the Treasury to have access to more detailed data sets. This may include collaboration on the development of a program logic, to help identify data collection needed to track measure outputs and outcomes.
- **Build regular review processes into the NPA.** This may involve more frequent review points outlined in the NPA, and using independent third parties to support reviews as required to collate insights and inform ongoing implementation efforts.

7 Findings – Financial arrangements

What is the effectiveness and appropriateness of the financial arrangements under the NPA?



A summary of findings and future design considerations is provided below.

Insights

- Financial arrangements for the payment of grants under the NPA were mostly considered appropriate. These arrangements were consistent with other NPAs and similar schemes, and jurisdictions noted that the payment process worked well.
- It was difficult to administer the NPA without any administrative financial support, especially given the scale of HomeBuilder exceeded expectations, requiring greater administrative effort than initially forecasted. Costs were absorbed by the jurisdictions for finding additional staff, training staff, time taken away from BAU, re-purposing existing processes or systems and establishing new ones. While provision of administrative funding may not be necessary for a smaller program, the size of HomeBuilder and effort required to administer the NPA (particularly as the NPA was extended) may have warranted administrative funding. This may have eased the administrative pressure applied by the NPA on the jurisdictions, and would have supported Treasury in performing their role.
- Concerns were expressed that the period between the end date for applications and expiry of the NPA provides insufficient time for managing any applicant reviews, potential appeals processes and final grant payments. Jurisdictions also held concerns about whether they would then be liable to pay grants without reimbursement from the Treasury. Consultation between the Treasury and jurisdictions is underway to find a solution to this issue, however a formal agreement has not been reached.

Future design considerations

- **Consider allocating administrative funding to support the implementation and operationalisation of NPAs.** Administrative funding would support the set-up of systems and processes for administration, resourcing, training, meeting reporting obligations, as well as incentivising administering parties to deliver on additional reporting and administrative activities. This should be considered for NPAs that will oversee large, complex programs, which should be determined through an assessment during the NPA design stage.
- **Earlier and ongoing collaboration with the jurisdictions.** *See future design considerations in section 4 for detail.*
- **Continue consulting with jurisdictions to manage challenges related to the HomeBuilder NPA's extended expiry date.** Consideration should be given to extending the expiry date to enable finalisation of applicant appeals processes and reimbursement payments to jurisdictions, as well as revisiting the provision that applicants cannot provide additional information after 30 April 2023.

8 Appendix A. List of stakeholders consulted

The table below details the stakeholder consultations which have been completed by KPMG as part of this review.

Table 2. Stakeholders consulted

No.	Stakeholder	Stakeholder Group	Date
1	Treasury Project Team	Treasury	Multiple, between July and October 2022
2	Northern Territory Revenue Office	Jurisdictions	15 July 2022
3	Northern Territory Department of Treasury and Finance	Jurisdictions	15 July 2022
4	Australian Capital Territory Revenue Office	Jurisdictions	19 July 2022
5	ACT Chief Minister, Treasury and Economic Development Directorate	Jurisdictions	19 July 2022
6	Tasmanian State Revenue Office	Jurisdictions	21 July 2022
7	RevenueNSW	Jurisdictions	22 July 2022
8	RevenueSA	Jurisdictions	25 July 2022
9	South Australian Department of Treasury and Finance	Jurisdictions	25 July 2022
10	RevenueWA	Jurisdictions	25 July 2022
11	Western Australia Department of Treasury	Jurisdictions	25 July 2022
12	State Revenue Office of Victoria	Jurisdictions	26 July 2022
13	Victorian Department of Treasury and Finance	Jurisdictions	26 July 2022
14	Queensland Revenue Office	Jurisdictions	28 July 2022
15	Queensland Treasury	Jurisdictions	28 July 2022
16	NSW Treasury	Jurisdictions	4 August 2022
	<i>Note that NSW Treasury did not participate in the one round of individual consultations with KPMG due to availability. Representatives did attend the findings validation workshop (4 August 2022) to provide input as required.</i>		
17	Tasmania Department of Treasury and Finance	Jurisdictions	16 August 2022

9 Appendix B. Residential construction industry overheating – Evidence

According to insights gathered from jurisdictions in this review, the Australian residential construction industry has experienced ‘overheating’ over recent years. Outlined below is evidence of this overheating:

- The Australian Bureau of Statistics reported that between June 2021 and June 2022, input prices into house construction rose 17.3%, due to increases in timber, board and joinery (+24.2%) and other metal products (+18.4%).¹ The increase in these key building materials is one factor that contributed to the rising cost of residential construction.
- The Sydney Morning Herald reported that in the year ending March 2022, the price of steel (a key material in residential construction) increased 42.1 percent—just one example of the inflation of construction materials². The Association of Professional Builders (APB) reported that builders were losing between \$20,000-\$40,000 per build, attributing this partially to the increased costs of building materials and labour.³ In some instances, the APB viewed inflated costs as contributing to the collapse of construction companies.
- According to Cordell’s construction cost index (CCCI), construction prices have significantly heightened over the last couple of years, experiencing record-setting growth. As of February 2022, the price of national residential construction had increased by 7.3 per cent over the previous year, being the highest annual growth rate in over 16 years.⁴ One factor driving this is the cost of construction, which the CCCI shows has increased at a record rate, 11% over the 12 months to September 2022.⁵
- The National Housing Finance and Investment Corporation’s *State of the Nation’s Housing 2021-22* report outlines that strong residential construction demand has put pressure on building material costs, and that the industry has been impacted by labour shortages (in large part due to impacts of COVID-19).⁶
- The total number and total value of grants administered under HomeBuilder far exceeded the Treasury’s initial forecasting. The Treasury forecasted that HomeBuilder would administer approximately 27,000 grants nationwide, resulting in approximately \$678.3 million in total grant funding being administered. As at 24 June 2022, there have been a total of 100,214 successful grant recipients, which equates to approximately \$2.3 billion in total grant funding. Figure 1 and Figure 2 overleaf outline the number and value of HomeBuilder grants per jurisdiction.

¹ Australian Bureau of Statistics (29 July 2022). Producer Price Indexes, Australia. Retrieved from: [Producer Price Indexes, Australia, June 2022 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/Produces/6601000000/6601000000202106)

² Tawar, Razaghi. (19 July 2022). The House prices that are still rising: How inflation is blowing out building costs. Retrieved from <https://www.smh.com.au/property/news/the-house-prices-that-are-still-rising-how-inflation-is-blowing-out-building-costs-20220714-p5b1pi.html>

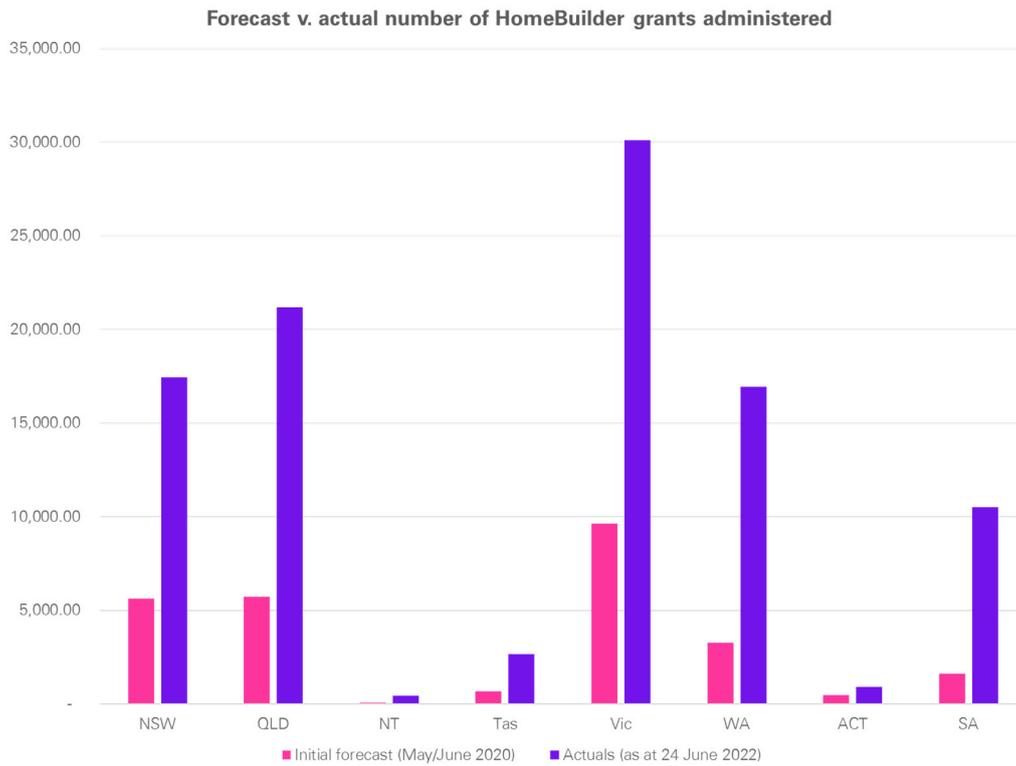
³ The Association of Professional Builders (2021). More than half of builders insolvent and operate like a ‘ponzi’ scheme, says the Association of Professional Builders. Retrieved from [More than half of builders insolvent and operate like a ‘ponzi’ scheme - Association of Professional Builders](https://www.apb.com.au/news/more-than-half-of-builders-insolvent-and-operate-like-a-ponzi-scheme-association-of-professional-builders)

⁴ Tabet, Ted. (8 February 2022). Construction cost rise highest in 16 years. Retrieved from <https://www.theurbandev.com/articles/national-construction-costs-australia-december-2021>

⁵ CoreLogic. (7 October 2022). Australia’s construction costs continue to rise at record rates. Retrieved from [Australia’s construction costs continue to rise at record rates | CoreLogic Australia](https://www.corelogic.com.au/news/australias-construction-costs-continue-to-rise-at-record-rates)

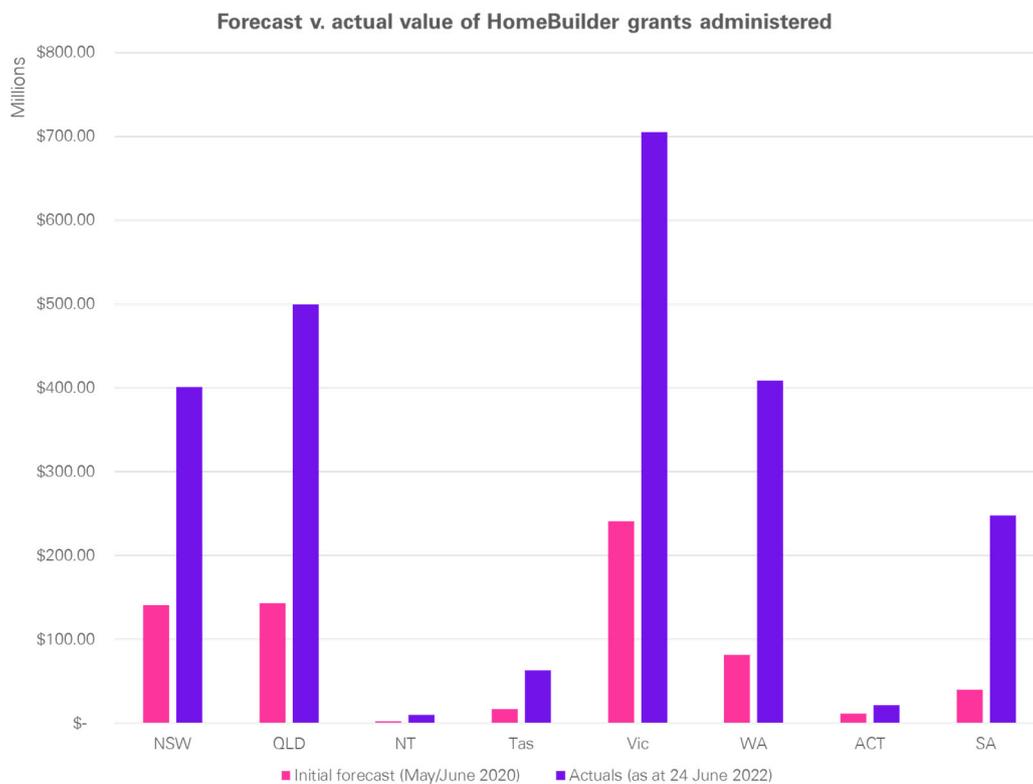
⁶ NHFIC. (February 2022). State of the Nation’s Housing 2021-22. Retrieved from [nhfic-state-of-the-nations-housing-2021-22-full-final.pdf](https://www.nhfic.gov.au/state-of-the-nations-housing-2021-22-full-final.pdf)

Figure 1. Forecast versus actual number of grants administered (as at 26 June 2022)



Source: Department of the Treasury, analysed by KPMG

Figure 2. Forecast versus actual value of grants administered (as at 26 June 2022)



Source: Department of the Treasury, analysed by KPMG

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