



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	<p>Analysed and synthesised insights from reviewing the following:</p> <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.
<p>Consultations with jurisdictions (i.e., relevant state and territory agencies, being revenue offices and treasuries)</p> <p>See Appendix A for a list of stakeholders consulted</p>	<p>Met with jurisdictions’ State Revenue Office and treasury staff to:</p> <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	<p>Met with the Treasury staff involved in the program management of HomeBuilder to:</p> <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 exceed 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/producer-prices)

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>

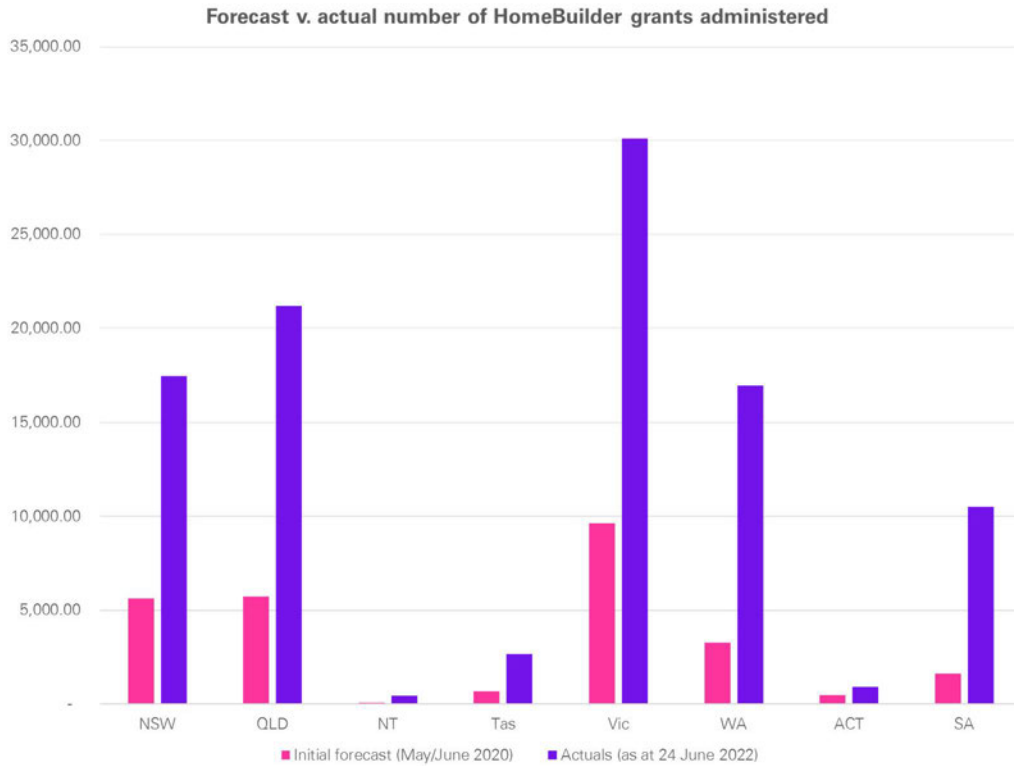
³ The Association of Professional Builders (2021). More than half of builders insolvent and operate like a ‘ponzi’ scheme, says the Association of Professional Builders. Retrieved from [More than half of builders insolvent and operate like a ‘ponzi’ scheme - Association of Professional Builders](#)

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](#)

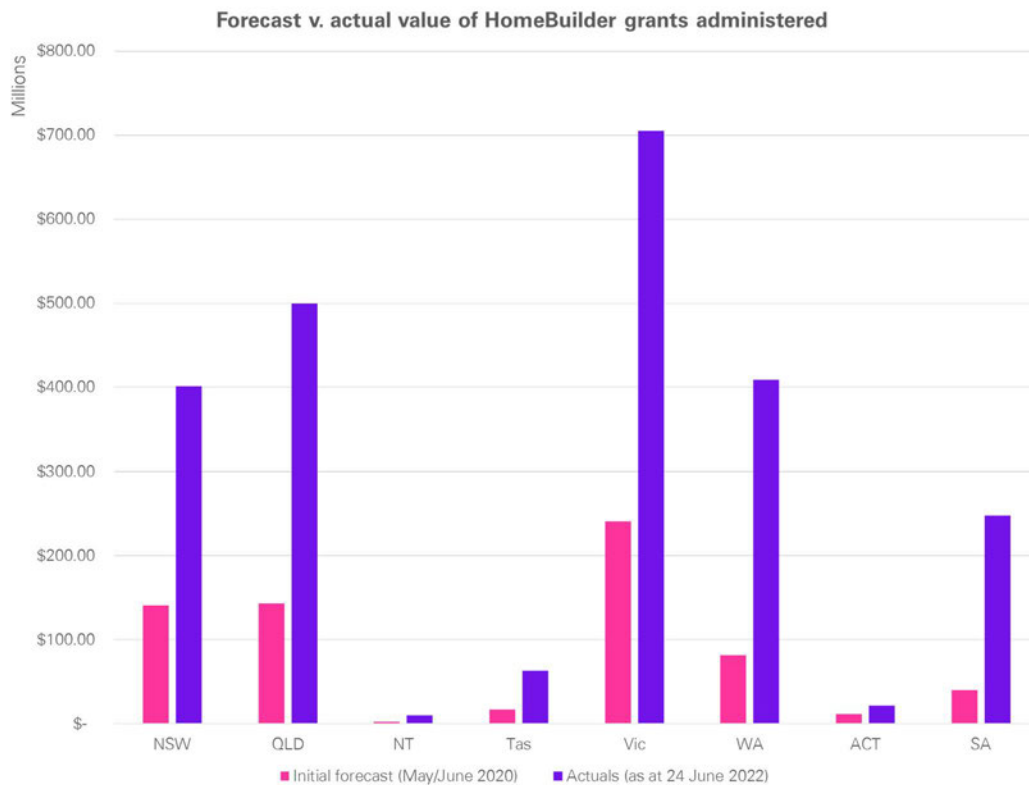
⁶ NHFIC. (February 2022). State of the Nation’s Housing 2021-22. Retrieved from [nhfic-state-of-the-nations-housing-2021-22-full-final.pdf](#)

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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HomeBuilder National Partnership Agreement Review: Stakeholder Consultation

Department of the Treasury
Stakeholder Report

31 August 2022

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The findings in this report have been formed on the above basis.

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Glossary

Term	Definition
FHOG	First Home Owner Grant
HomeBuilder	The HomeBuilder program
Jurisdictions	State and territory governments of ACT, NSW, QLD, VIC, TAS, NT, SA, WA
NPA	National Partnership Agreement
SRO	State/ territory revenue office
the Treasury	Commonwealth Department of the Treasury
treasuries	State and territory treasury departments

Introduction

1 Introduction

KPMG was commissioned by the Commonwealth Department of the Treasury (the Treasury) to support its review of the HomeBuilder Program ('HomeBuilder') National Partnership Agreement ('NPA').

The review involved conducting consultations with state and territory revenue offices (SROs) and treasuries. Findings from the consultations will inform the Treasury's preparation of the NPA review. By analysing the insights that emerged from consultations with the jurisdictions, this work aims to build the Treasury's understanding of the effectiveness of the NPA's administration and achievement of intended objectives and outcomes. Additionally, analysis seeks to identify potential improvements in the design and implementation of future NPAs.

1.1 Structure of this report

Table 1. Report structure

Section	Overview
Section 1: Introduction (current section)	This section provides an overview of the background of HomeBuilder and the HomeBuilder NPA, including the context in which it was implemented, and its key components, objectives and scope.
Section 2: Review approach	This section details the approach employed for the review, including the scope and objectives, methodology and key topics.
Section 3: Review findings	This section details overall findings against the key topics.
Section 4: Future design considerations	This section identifies future design considerations for the HomeBuilder NPA and other NPAs, based on the findings outlined in section 3.
Appendices	The appendices provide further information including the initial HomeBuilder announcement, stakeholder consultation list, and stakeholder consultation questions.

1.2 Key components of the HomeBuilder NPA

1.2.1 Context and overview

The COVID-19 pandemic hit Australia in early 2020. There was concern from the Commonwealth Government and from industry that the pandemic would have a substantial impact on the residential construction industry, which represents five per cent of Australia's Gross Domestic Product and approximately one per cent of total employment.¹ This concern was evidenced by the following²:

- Treasury forecasting of a housing construction decline

¹ Commonwealth Department of the Treasury. HomeBuilder Program, Program Management Plan (Draft). Provided to KPMG by the Treasury on 5 July 2022.

² Ibid.

- Insights from industry that demand within the sector was declining, and reporting from the Housing Industry Association that sales of new homes had declined with a further fall anticipated
- Warnings from stakeholders and peak organisations about the likely negative impact on builders and construction businesses.

On 4 June 2020, the former Prime Minister, former Commonwealth Treasurer and former Commonwealth Minister for Housing announced the introduction of HomeBuilder to drive economic activity and support jobs in the residential construction sector (see Appendix A for the joint media release). 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 was introduced to provide all eligible owner-occupiers with a grant of \$25,000 to build a new home or substantially renovate an existing home. To access the grant, applicants had to have a signed building contract on or after 4 June 2020 up to and including 31 December 2020, with the contract specifying that construction would commence within three months of the contract date.

The HomeBuilder NPA was established to support implementation of the program. The NPA outlines HomeBuilder's intended outcomes and outputs; reporting, financial and governance arrangements; roles and responsibilities; and guidelines (outlined in Schedule A and B of the NPA). The NPA was signed by the Commonwealth on 12 June 2020, and by all jurisdictions by 2 July 2020.

There have been two variations to the NPA since it was first signed:

- **29 November 2020** – HomeBuilder was extended to provide a \$15,000 grant to build a new home or substantially renovate an existing home. To access this grant, applicants had to have a signed building contract on or after 1 January 2021 up to and including 31 March 2021. The construction commencement timeframe was extended from three months to six months for all applicants.
- **17 April 2021** – The construction commencement timeframe was again extended for all applicants, from six months to 18 months.

1.2.2 NPA objectives

The objectives of the HomeBuilder NPA, as outlined in clause 15 of the NPA itself, are to:

- Provide a framework to the parties to work cooperatively to support the residential construction industry through the Coronavirus crisis and build confidence in the sector over the short to medium term
- Provide financial assistance to eligible owner-occupiers with the intent of increasing residential construction activity and maintaining direct and indirect residential construction jobs.

1.2.3 Roles and responsibilities in the NPA

Roles and responsibilities for HomeBuilder are outlined in Part 3 of the NPA. The Treasury, on behalf of the Commonwealth Government, owns and funds HomeBuilder and is responsible for actioning the Commonwealth's responsibilities specified in the agreement. These included reimbursing jurisdictions for grants paid and monitoring the performance of HomeBuilder.

Under the NPA, jurisdictions are responsible for the administration of HomeBuilder. This involves being responsible for ensuring the program is administered in line with the terms and conditions of the NPA (including ensuring recipients meet eligibility criteria), delivering on the intended outcomes and outputs, and reporting on delivery.

The Treasury and the jurisdictions have joint responsibilities under the NPA. Together, the Treasury and jurisdictions participate in consultations regarding the NPA's implementation to consider ongoing questions and issues, negotiate variations to the NPA, and conduct evaluations and reviews of what is delivered under the NPA.

More detail on the roles and responsibilities is outlined in section 3.2.1.

1.3 Purpose of this review

This report will be an input for the Treasury's review of the NPA, which is to be completed by 31 December 2022. The Treasury's review will consider whether HomeBuilder has achieved the agreed objectives and outcomes of the NPA.

Specifically, this report will inform the Treasury's review by delivering stakeholder insights on the following:

- Did the NPA effectively deliver the objectives, outcomes and outputs of the HomeBuilder program (as outlined in clauses 15-17 of the NPA)
- The extent to which the Commonwealth and state and territory governments have fulfilled their roles and responsibilities under the NPA (as outlined in clauses 19-21)
- 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
- The effectiveness and appropriateness of the financial arrangements under the NPA (as outlined in clauses 28-33).

Review approach



2 Review approach

2.1 Overview

This section sets out KPMG’s approach to reviewing the HomeBuilder NPA, specifically the stakeholder consultation activity that informed the findings detailed in this report. It describes the scope, the sources that were drawn on, how the information was analysed, and any review considerations or limitations.

2.2 Scope

KPMG’s review focused on the Homebuilder NPA, and considered the following key overarching topics (which align with the intended purpose of the review outlined in section 1.3):

Key topics



- 1) **Implementation and performance** – How well HomeBuilder is being delivered by the jurisdictions, whether it is meeting intended outcomes, and the role of the HomeBuilder NPA in supporting this.
- 2) **Roles and responsibilities** – Ability of the jurisdictions to meet the roles and responsibilities required, and interaction with the Treasury in the context of this role.
- 3) **Performance monitoring and reporting** – Utility of the reporting required of jurisdictions under the NPA.
- 4) **Financial arrangements** – How effective and appropriate the NPA’s financial arrangements are, including funding available and payment arrangements.

KPMG specifically focused on gathering both the Treasury’s and jurisdictions’ insight into these topics. The scope of the review included:

- Reviewing relevant program information and documentation to develop an understanding of HomeBuilder, the NPA, and the various parties involved
- Undertaking one round of consultation with jurisdictions:
 - Consulting with SROs and treasuries from each jurisdiction to gather insight on their operating environment, the four key topics, and options for improvement (see Appendix C for questions asked in the consultations)
- Consulting with the Treasury to gain a more detailed understanding of their role in the administration of the HomeBuilder NPA
- Undertaking a preliminary findings workshop with the Treasury to present insights gathered from the jurisdictions
- Holding a findings validation workshop for all jurisdictions, as an opportunity to validate insights gathered during the initial round of consultation, clarify details, and collect any additional insights
- Developing this report, which includes outlining findings from the consultations and future design considerations for the HomeBuilder NPA and any future NPAs.

2.3 Methodology

2.3.1 Data sources

To analyse the key review topics, the review drew upon qualitative data. This section provides an overview of the data sources and how they were used. Table 2 identifies existing data sources and data collection methods.

Table 2. Summary of data sources and type for review

Source	Data type
Treasury	HomeBuilder NPA
	HomeBuilder program documentation, including: <ul style="list-style-type: none"> HomeBuilder Program Management Plan (in draft) HomeBuilder May and June Data Dashboards (which are an amalgamation of each jurisdiction’s monthly data) Example of a jurisdiction’s weekly HomeBuilder report.
	Initial HomeBuilder forecasting data
	The Treasury’s perspective on NPA administration
Jurisdictions	Jurisdictions’ perspectives on NPA administration

Source: KPMG

2.3.2 Qualitative data collection

This section discusses the role of stakeholder consultations as a data collection method, including the type of data collected and from whom. Stakeholder consultations were undertaken using a semi-structured interview approach. Table 3 illustrates the main focus of consultation with each stakeholder group (refer to Appendix B for a list of stakeholders consulted and Appendix C for a list of consultation questions).

Table 3. Stakeholder consultation approach

Stakeholder	Focus
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.
Jurisdictions’ SRO and treasury staff	Met with jurisdictions’ SRO 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

Stakeholder	Focus
	<ul style="list-style-type: none"> Explore questions on the reporting and financial arrangements Discuss lessons learned and opportunities to improve the HomeBuilder NPA and future NPAs.

Source: KPMG

2.3.2.1 Documentation review

A review of the NPA itself provided insight into a number of key components that then informed consultation questions. This included the specific reporting and financial arrangements, the division of roles, as well as the specific eligibility criteria and implementation guidelines outlined by the Commonwealth which the jurisdictions were responsible for following. In addition, other relevant program documentation sourced from the Treasury was reviewed to inform a more detailed understanding of the NPA, its background and relevant processes.

2.3.3 Analytical methods

Once data was collected using the methods identified above, it was analysed and synthesised to produce detailed results. This was done by using the thematic analysis method.

Thematic analysis broadly refers to the analysis of a wide range of qualitative information, such as stakeholder interview notes, and its synthesis into a collection of themes that can be used to answer questions. This analysis was also conducted on information gained from program documentation provided by the Treasury where possible.

2.4 Considerations

In conducting this review and developing this report, the following were considered:

- Number of HomeBuilder reviews.**³ HomeBuilder was included as part of a PricewaterhouseCoopers review of COVID-19 response programs in late 2020, which according to the Treasury identified no significant issues. This NPA review is one of three additional reviews to be conducted. The Treasury will undertake an internal review of HomeBuilder after the completion of this NPA review and HomeBuilder has closed, focusing on lessons learned and the design of future grant programs. HomeBuilder is also anticipated to be included in the Australian National Audit Office's phase three audits of the Commonwealth's response to COVID-19, with scope and detail still to be determined.
- Specific scope of this review.** Consistent with the requirements of the NPA (see clauses 35-37 in the NPA, titled *Review of the Agreement*), the Treasury requested that the review scope focus on the NPA itself, what it has achieved and the role it has played in the delivery of HomeBuilder. This is instead of a review on the achievement of HomeBuilder policy goals more broadly, or on the Treasury's and jurisdictional delivery of the program. However, it is acknowledged that these are closely related and findings in this report that comment on the NPA's ability to effectively deliver the objectives, outcomes and outputs of HomeBuilder do comment on the success of HomeBuilder more broadly where necessary.

In addition, KPMG's scope was to collect and analyse qualitative information from stakeholders during consultation. This report does not include comprehensive quantitative data analysis, other than presenting forecast and actual grant numbers provided by the Treasury.

- Timing of this review and future design considerations.** KPMG notes that this review is occurring towards the end of the NPA's lifecycle, with HomeBuilder applications already closed. Given this, most future design considerations were considered in the context of applying to future NPAs and grant

³ Commonwealth Department of the Treasury. HomeBuilder Program, Program Management Plan (Draft). Provided to KPMG by the Treasury on 5 July 2022.

programs, instead of immediate improvements to make to the HomeBuilder NPA, which is set to expire on 30 June 2023.

- **Factors impacting the residential construction market.** In undertaking the consultations with jurisdictions and developing findings, the impact of COVID-19 on the residential construction market was considered, as was the demand for support both nationally and in each jurisdiction, as well as the impact of other residential construction market stimulatory measures.

In particular, HomeBuilder and the NPA were developed under the exceptional circumstances of the COVID-19 pandemic. The extent to which lessons learned from the development and implementation of this NPA can be applied to future NPAs should be considered in view of these circumstances.

In addition, the review did not focus specifically on any concurrent or linked programs at the jurisdictional level that were also established to support the residential construction industry and interdependencies with the HomeBuilder NPA. However, they were discussed as part of the consultation with jurisdiction representatives.

Review findings



3 Review findings

The findings from KPMG’s review of the HomeBuilder NPA are presented in this section under the following key review topics:

- 1) Implementation and performance
- 2) Roles and responsibilities
- 3) Performance monitoring and reporting
- 4) Financial arrangements.

The methods of analysis used to identify findings under these questions are described in section 2.3.3.

The key findings and future design considerations are provided in the sections below for each topic. The findings reflect jurisdictions’ experiences administering the NPA. Overall, findings suggest that the NPA did support the delivery of HomeBuilder and achievement of intended outcomes, and that the reporting and financial arrangements were mostly appropriate. However, KPMG identified key areas for improvement in terms of earlier and more collaborative consultation, leadership, and administrative funding, among others.

3.1 Implementation and performance

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



Exploring this review topic involved considering the effectiveness of the NPA in providing a framework to support the residential construction industry during COVID-19, the NPA and HomeBuilder’s impact on the industry, and the application of the NPA in detail.

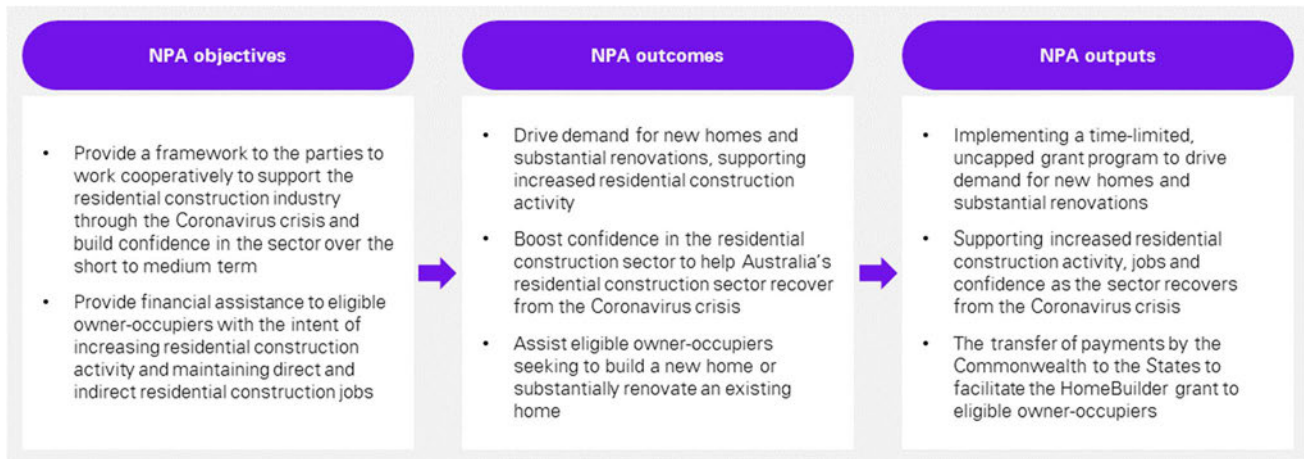
This section explores findings under this key review topic. A summary of findings and future design considerations is provided below (noting further detail on the future design considerations is included in section 4).

Findings	Future design considerations
<ul style="list-style-type: none"> Feedback from the jurisdictions indicates, the NPA did support effective delivery of HomeBuilder and the achievement of intended objectives, outcomes and outputs outlined in the agreement. 	<ul style="list-style-type: none"> N/A
<ul style="list-style-type: none"> Based on anecdotal evidence provided by jurisdictions, the residential construction industry experienced ‘overheating’, leading to constraint issues, which can partially be attributed to the implementation of the NPA. 	<ul style="list-style-type: none"> N/A
<ul style="list-style-type: none"> There were a number of issues regarding the detail of the NPA, which created difficulty with its application. These included: <ul style="list-style-type: none"> Specific requirements that were not fit-for-purpose Aspects of the NPA that did not provide sufficient guidance Prescriptive aspects of the NPA that did not empower jurisdictions to use reasonable discretion, and created inconsistencies. 	<ul style="list-style-type: none"> Early consultation with jurisdictions to leverage their expertise and knowledge of local operating environments.

3.1.1 Contribution to the effective delivery of HomeBuilder

As outlined in section 1.2.1, the HomeBuilder NPA was established to support the implementation of HomeBuilder, in response to the impact the COVID-19 pandemic would have on Australia’s residential construction industry. The NPA was designed to contribute to the program’s delivery, demonstrated by the objectives, outcomes and outputs listed in the agreement itself, as outlined in Figure 1.

Figure 1. NPA objectives, outcomes and outputs

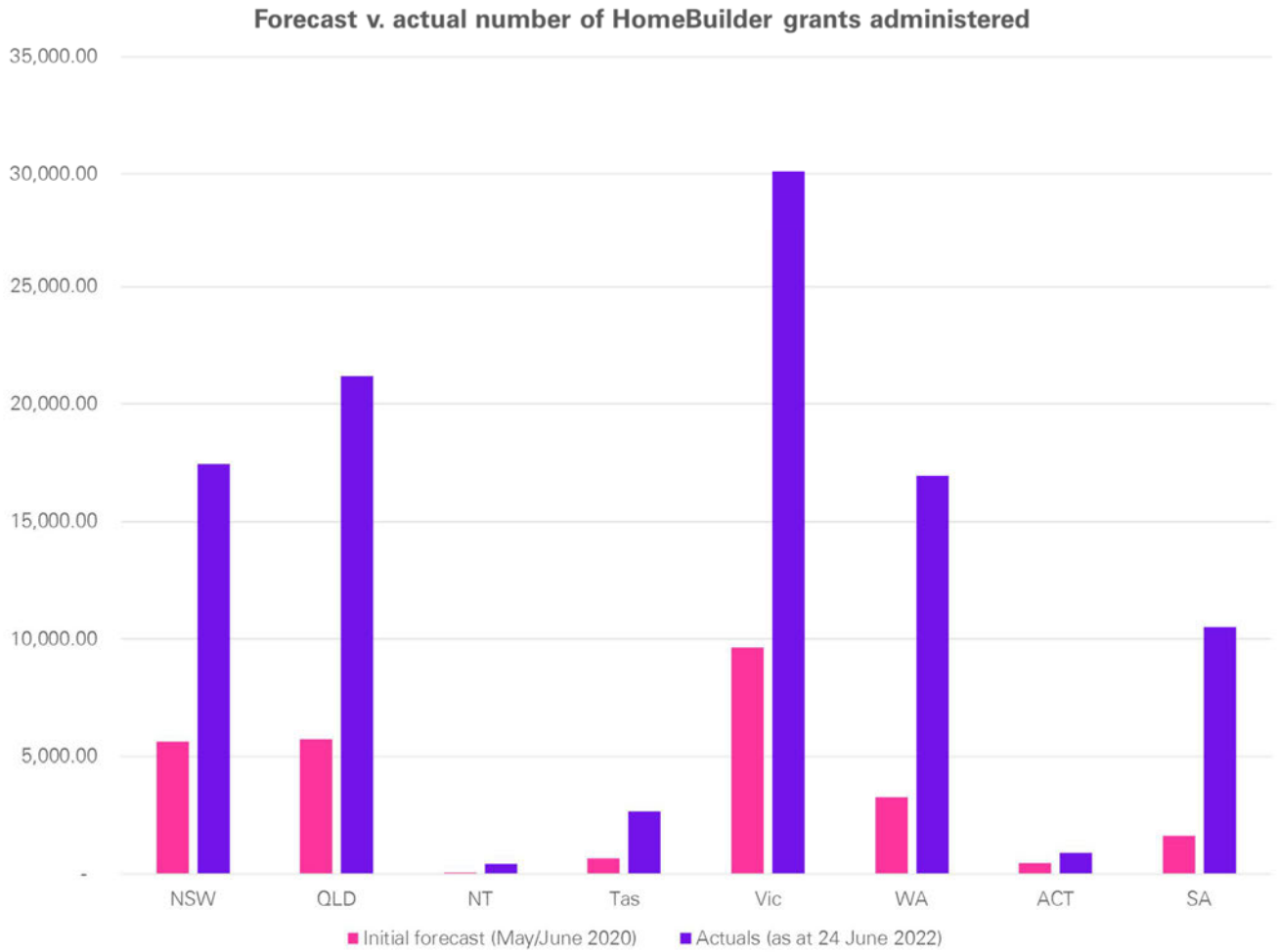


Source: KPMG (after reviewing HomeBuilder NPA)

Jurisdictions had mixed perspectives on the need for the HomeBuilder NPA. Some stated that there was a strong appetite for financial support in their respective residential construction industries, with industry stakeholders concerned about a predicted downturn. Other jurisdictions noted the strength of their industries early in the pandemic, and questioned whether financial support was necessary.

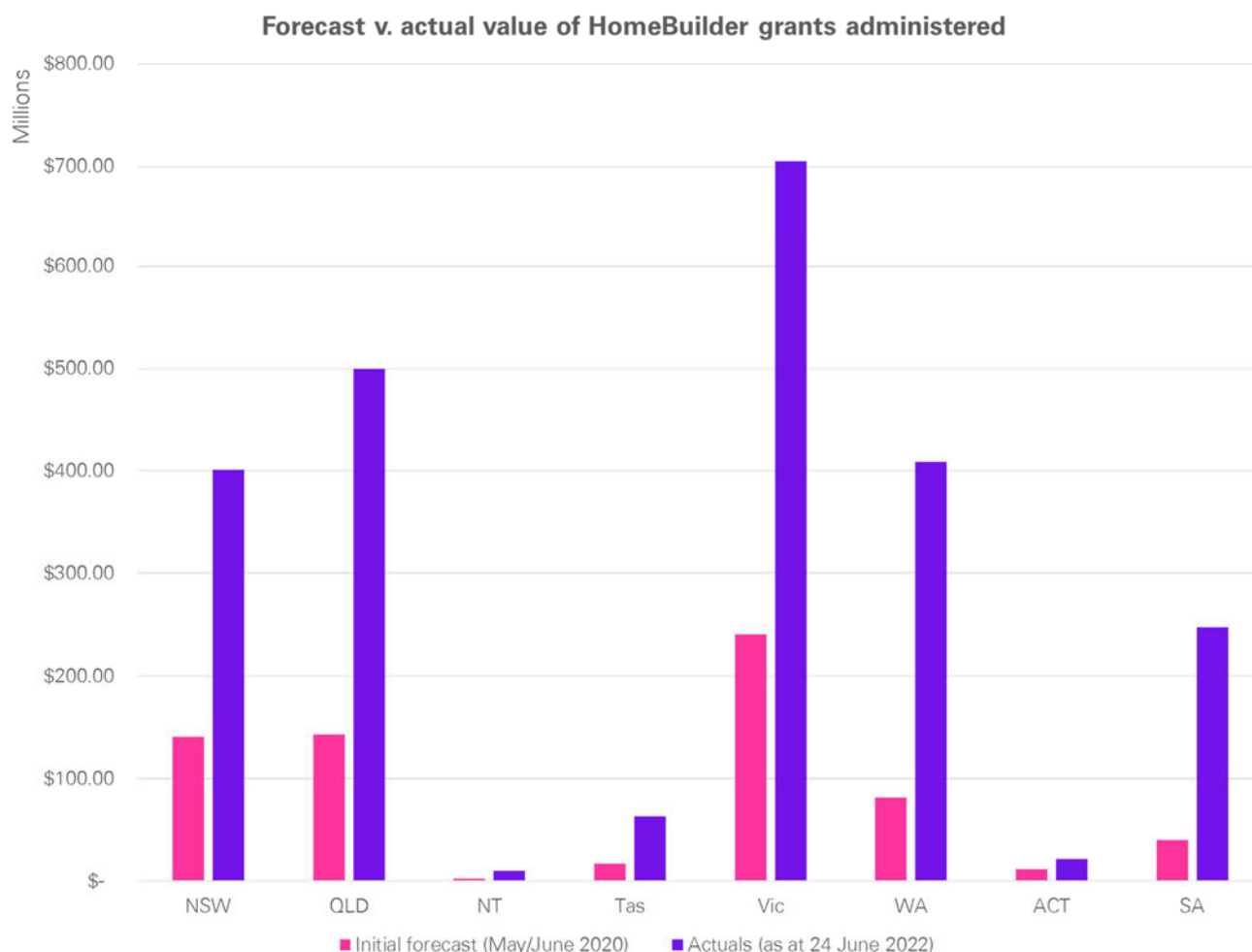
However, jurisdictions understood the national imperative for providing financial support. All jurisdictions acknowledged that the NPA was ultimately effective in providing a framework that supported the industry through the pandemic. Additionally, they noted that it was a successful stimulatory measure for providing funding to, and increasing activity in, the residential construction industry. This is evidenced by both the total number and total value of grants administered in comparison to the Treasury's initial forecasting. These are shown in Figure 2 and Figure 3.

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



Source: Department of the Treasury, analysed by KPMG

Figure 3. Forecast versus actual value of grants administered (as at 26 June 2022)



Source: Department of the Treasury, analysed by KPMG

In May/ June 2020, 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. It is important to note that the initial forecasting was based on a \$25,000 grant only and HomeBuilder ending on 31 December 2020, as this was the scope of the HomeBuilder NPA’s initial design. It was not until later that the NPA was extended and the additional \$15,000 grant was introduced. See Appendix D for more detailed data and assumptions.

Clearly, implementation of the NPA supported jurisdictions to grant a significant amount of funding to eligible owner-occupiers and drive industry activity in their respective state or territory. It is worth noting that a number of jurisdictions ran their own stimulatory building schemes concurrently with Homebuilder, which would likely have contributed to the increased industry activity in their respective state or territory.

Whilst this is the case, some jurisdictions did question the following regarding the policy intent of the HomeBuilder NPA in practice:

- **Whether the NPA effectively targeted populations most in need of financial support.** For example, one jurisdiction found that the eligibility criteria in practice favoured middle-to-high income earners, as they were best placed to make the required financial contribution to a construction project.
- **Whether offering applicants the same funding amount for a renovation and a new build was a fair policy approach.** One jurisdiction commented that they believed the same funding amount did not equate to similar value or equally promote renovations and new builds.

- **Whether the NPA considered individual jurisdictions’ operating environments and industry contexts.** One jurisdiction raised that, from a policy perspective, the HomeBuilder NPA did not adequately consider its operating environment. Factors such as internal migration and the need to stimulate supply as opposed to demand for housing were provided as examples.
- **Whether the types of residential construction supported by the NPA was consistent, and if it should have been.** Some jurisdictions advised that the grant values on offer were not sufficiently nuanced to incentivise particular types of residential construction. One jurisdiction provided anecdotal evidence that the number of applications for off-the-plan apartments they received was due in part to the combination of Commonwealth and state or territory funding available. The combination of these grants could substantially reduce the cost of an apartment versus a new-build house, hence applicants were electing to purchase apartments off the plan. Conversely, another jurisdiction reported that the NPA failed to encourage growth in apartments, instead leading to an increase in new homes.
- **Whether distribution of the benefits of HomeBuilder was divided fairly within the industry.** One jurisdiction did note that distribution of the stimulatory effect on the residential construction industry was uneven, with only a small number of builders benefitting from the funding.

3.1.2 Industry impacts

Whilst the HomeBuilder NPA did support effective delivery and achievement of program outcomes, jurisdictions consistently identified ‘overheating’ occurred in their residential construction industry due in part to the significant increase in construction activity under the program. Other external factors that may have contributed to market overheating, which were acknowledged by the jurisdictions, included:

- Jurisdictions’ own residential construction grants
- Other COVID-19 fiscal stimulus policies such as JobKeeper
- Diversion of discretionary spending from travel to home improvement.

It could be said then that the HomeBuilder NPA did partially contribute to the constraints in supply of labour, materials and land that resulted from this industry overheating. However, it is critical to note that this would have been just one factor. Broader supply chain issues because of the COVID-19 pandemic were another, and much more impactful, factor.

KPMG heard several examples where these overheating and constraint issues impacted the success of the HomeBuilder NPA in achieving intended program outcomes. Some jurisdictions said that due to inflated material costs, they saw instances where builders struggled financially and were even forced into liquidation.⁴ This issue had a flow-on effect for NPA administration, as the agreement did not specifically permit applicants to sign a new building contract and maintain their eligibility. Jurisdictions reported coming together to resolve this and other administrative issues which were not directly provisioned for in the NPA. More detail is provided on this in section 3.1.3.

Scarcity of materials and labour is likely to have been a contributing factor to the increase in construction timeframes.⁵ This became particularly problematic when jurisdictions endeavoured to administer the ‘construction commencement date’ criterion of the NPA (see clause 3 in Schedule A of the NPA). This requirement tied applicants’ eligibility to their ability to prove construction had commenced within the specified timeframe.

⁴ Bleby, Michael. (2022). Rising costs hit home in the construction sector. Retrieved from <https://www.afr.com/property/residential/rising-costs-hit-home-in-the-construction-sector-20220603-p5agtd>; Razaghi, Tawar. (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>; 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](#)

⁵ Ibid.

In some jurisdictions, land allocations were quickly exhausted. It was reported that the process for releasing new allocations of land took significant time and was unable to keep up with the demand for land generated by HomeBuilder. This is linked to a broader observation made by one jurisdiction that time to finalise local government processes such as land allocations, as well as building plan approvals and building certifications, was exacerbated in part due to the increased activity stimulated by the NPA. The jurisdiction noted that this made it difficult to meet initial construction commencement timeframes, and was not adequately considered during the NPA's design.

In addition to the above, one jurisdiction reported a small number of cases where builders did not honour contracts or commitments under other, more 'modest' housing grant programs in favour of the HomeBuilder grants on offer.

3.1.3 NPA detail and its application

Most jurisdictions articulated concerns with aspects of the detail contained the NPA that presented challenges to its implementation. These can be summarised in three overarching concerns:

- Certain provisions of the NPA were not fit-for-purpose
- The level of detail for certain requirements did not provide adequate guidance to support administration
- Aspects of the NPA were overly prescriptive and did not afford a suitable degree of flexibility and discretion.

3.1.3.1 Provision not fit-for-purpose

Jurisdictions consistently cited the construction commencement timeframe as a requirement within the NPA that posed significant challenges to its implementation. Given their experiences administering other construction grants programs, the jurisdictions noted that the original commencement timeframe of three months was unreasonably short and not fit-for-purpose.

Two extensions to this timeframe over the life of HomeBuilder (from three months to six months, before finally settling on 18 months) was further indicative that that this aspect of the NPA challenged its implementation. Most jurisdictions were positive that there was scope within the NPA for the commencement timeframe to be extended given that it was unreasonably short. They did also articulate that it should have been longer from the outset as multiples changes to the timeframe were not without their own problems.

The main issues associated with changing the timeframes included the implications for applicant behaviour and reputation of the jurisdictions. Most jurisdictions reported that changing the commencement date resulted in instances where applicants decided not to apply, on the basis they did not have capacity to meet the construction commencement timeframe. Subsequently they missed the application closing date on 14 April 2021, only for the commencement date to be extended on 17 April 2021 from six to 18 months. Many of the jurisdictions raised that this resulted in many complaints, and that the inconsistency reflected a poor applicant experience.

Some jurisdictions noted the additional frustration of these changes given their understanding that the Treasury received their feedback recommending that further extensions to the commencement timeframe should occur before application deadlines closed. Ideally, this would have mitigated instances where people did not apply. Some jurisdictions reported that despite providing the Treasury with this feedback, it was not heeded.

Extending the commencement timeframe was also noted by some jurisdictions as reflecting poorly on HomeBuilder and their administration of it. They suggested that the number of changes to the timeframe led members of the public to believe that both the jurisdictions and the Treasury were unable to capably manage administration of HomeBuilder.

3.1.3.2 Detail not providing adequate guidance

Many jurisdictions reported difficulty administering the NPA due to an insufficient level of detail associated with definitions and eligibility criteria. Examples of NPA eligibility criteria and detail that caused confusion or were challenging to administer include:

- **Substantial renovations** – The HomeBuilder NPA outlines that ‘substantial renovations’ are within the scope for financial support. However, some jurisdictions noted that the definition of a substantial renovation is unclear. The statutory declaration requirements in Schedule B of the NPA provide some detail (i.e., that it must substantially alter the dwelling and improve the property’s accessibility, safety or liveability), but it was initially unclear what this constituted. For example, the construction of granny flats or pools.
- **Citizenship** – Clause 2.3 in Schedule A of the NPA outlines that potential applicants must be Australian citizens to be eligible for HomeBuilder. Whilst in principle this criterion is straightforward, it was difficult to apply in practice due to the COVID-19 pandemic. As a result of the pandemic, citizenship ceremonies were delayed or cancelled to comply with lockdown requirements. Some jurisdictions noted that this created inequity in HomeBuilder eligibility. It also created confusion regarding what point in the application process a person needed to be a citizen, given the multiple timeframes involved in the process and the COVID-19 context. These jurisdictions highlighted this as an issue that was raised but was difficult to resolve. In addition, it was raised that the HomeBuilder NPA’s requirement for citizenship is inconsistent with the First Home Owner Grant (FHOG) scheme, which only requires permanent residency. This made aligning HomeBuilder with FHOG difficult given the inconsistent criteria and assessments, which contradicts the NPA stating that where applicable jurisdictions should align with FHOG (see Schedule A clauses 13.1 and 14.1, and Schedule B clauses 1 and 2).
- **Status of draft or incomplete applications** – The 17 April 2021 application closure date created issues with applicant submissions. Some jurisdictions commented that applicants were unable to submit further supporting documentation past this point because of confusion and system issues around accepting applications that had been started versus submitted. Some jurisdictions initially took a hard-line approach, strictly following the terms of the NPA due to the perceived lack of discretion which meant these applicants were no longer eligible. This led to community pushback. These jurisdictions did note that they later applied discretion and allowed these people to continue their applications, but this was raised as another example of issues with NPA’s detail.
- **Replacement contracts** – Some jurisdictions noted that they experienced situations where an applicant’s building contract that made them eligible for HomeBuilder was later cancelled. The provision for replacement contracts was not something that was included in the NPA, and was an issue that took time to resolve. It was finally resolved with jurisdictions and the Treasury stipulating that builder insolvency or death were the only two acceptable scenarios where a replacement contract would maintain a person’s eligibility. The introduction of replacement contracts did create issues for some jurisdictions in cases where money spent on works under the original contract plus the value of new contracts (which increased over time due to the market forces outlined in section 3.1.2) meant applicants had exceeded the relevant property price cap.
- **Income caps and financial years** – Clause 2.4 in Schedule A of the NPA outlines the income caps that potential applicants must be below to be eligible for support under HomeBuilder. This clause states that income is “based on their 2018-19 taxable income or later”, so jurisdictions each made decisions on which financial year to use. The extension of construction commencement timeframes, and as a result extension of the NPA itself, created confusion as to which financial year should then be used to test eligibility, particularly as potential applicants made reasonable arguments for the use of later financial years. Jurisdictions noted that this created an issue in ensuring fair but also consistent application of criteria.

3.1.3.3 Flexibility / discretion

Jurisdictions also identified details within the NPA which they found to be overly prescriptive or provided inadequate flexibility to accommodate its application in practice. Applicant income caps and commencement timeframe deadlines were cited as two examples. Where applicants were marginally over the income caps,

jurisdictions expressed frustration at not being able to exercise reasonable discretion to approve applications.

Similarly, inability to exercise discretion regarding commencement timeframes was a source of frustration. A number of jurisdictions reported that extenuating circumstances beyond the control of applicants had impacted their capacity to commence construction within the mandated timeframe. These included:

- Natural disasters
- Market pressures associated with scarcity of materials and labour
- Builders becoming insolvent or dying.

Not feeling empowered by the NPA to exercise discretion was reported to have challenged how jurisdictions tried to implement it. In some instances, it generated a substantial number of complaints or appeals to application decisions. Where jurisdictions had used their discretion, they similarly reported receiving complaints.

Jurisdictions approached issues associated with detail contained in NPA in different ways, with some following the NPA's terms and conditions strictly while others allowed some discretion where possible. Some jurisdictions legislated the NPA to provide a stronger legal framework for its implementation, particularly with respect to compliance and capacity to recover funds paid to ineligible applicants. Some jurisdictions developed guidelines which provided additional clarity on certain provisions. Several jurisdictions leveraged their experience administering similar grants, using definitions they had previously developed. Due to this, jurisdictions believed that there was not a nationally consistent approach to the application of the NPA.

3.2 Roles and responsibilities

To what extent have the Commonwealth and state and territory governments fulfilled their roles and responsibilities under the NPA?



Exploring this review topic involved considering the appropriateness of the responsibilities outlined in the NPA, collaboration between parties, and fulfilling the roles in practice.

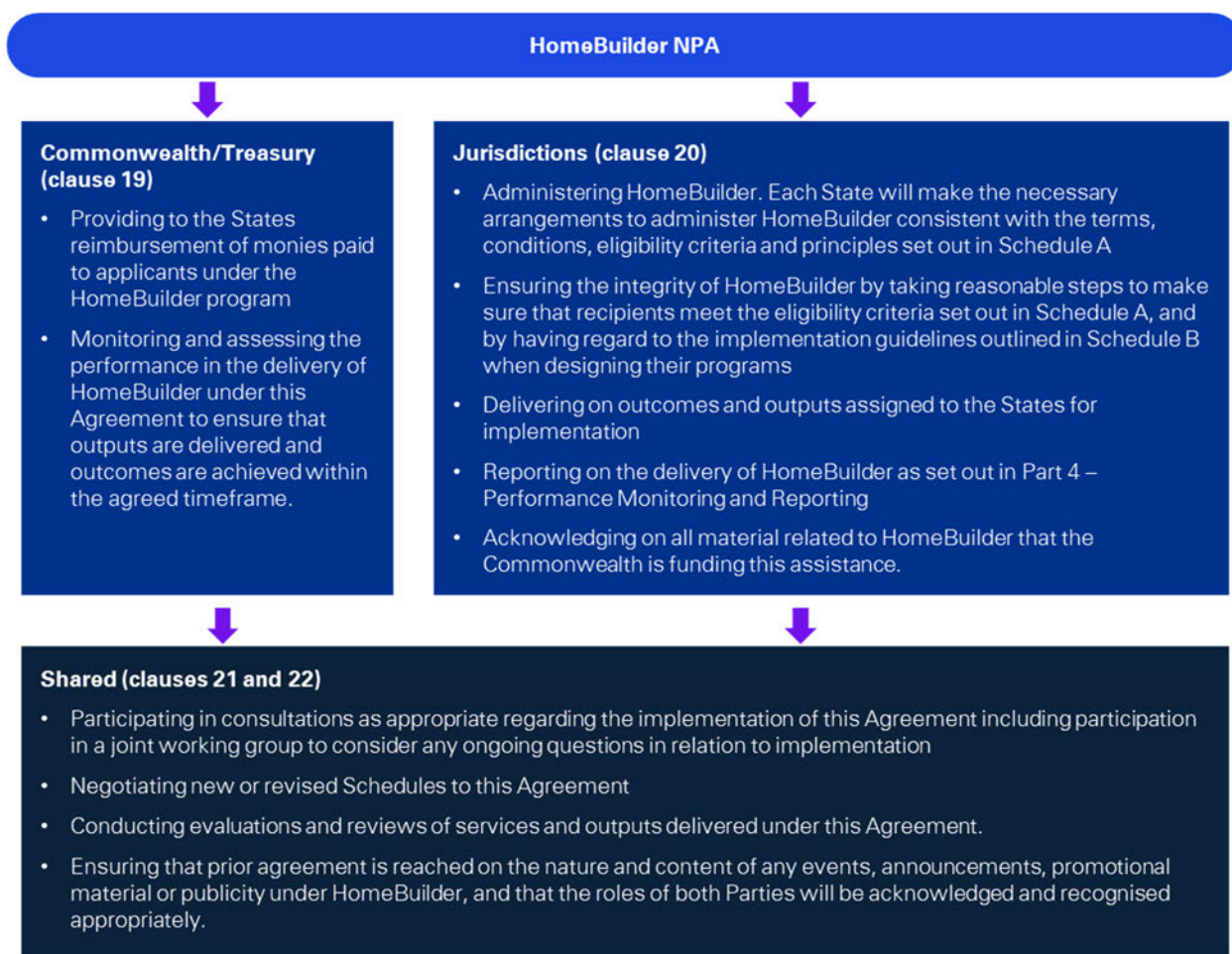
This section explores findings under this key review topic. A summary of findings and future design considerations is provided below (noting further detail on the future design considerations is included in section 4).

Findings	Future design considerations
<ul style="list-style-type: none">Jurisdictions were generally comfortable with the roles and responsibilities as outlined in the NPA.	<ul style="list-style-type: none">Maintain inter-jurisdictional collaboration and appointment of a jurisdiction to lead consultation with the Treasury.
<ul style="list-style-type: none">There was an appetite for the Treasury to take a more active role in administration of the NPA.	<ul style="list-style-type: none">More active leadership by the Treasury.
<ul style="list-style-type: none">Jurisdictions could fulfil their role outlined in the NPA as administrators of HomeBuilder, however it was not without significant challenges.	<ul style="list-style-type: none">Earlier consultation with jurisdictions to test the feasibility of leveraging existing programs, schemes and related process to administer an NPA.

3.2.1 Roles and responsibilities as outlined in the NPA

HomeBuilder NPA roles and responsibilities were introduced in section 1.2.3. Under the NPA, there are two parties involved – the Treasury (acting on behalf of the Commonwealth) and state and territory governments. Figure 4 outlines roles and responsibilities in more detail, exactly how they are reflected in the NPA.

Figure 4. HomeBuilder NPA roles and responsibilities



Source: KPMG (after reviewing HomeBuilder NPA)

The roles and responsibilities outlined in the NPA which established the Treasury as the owner, funder and monitor of HomeBuilder and jurisdictions as administrators was considered typical of previous NPAs. Jurisdictions acknowledged their involvement as grants administrators under other programs. As such their role under this NPA was consistent with previous experience. The NPA established a number of shared responsibilities, including collaboration between the Treasury and jurisdictions. Jurisdictions felt that collaboration amongst themselves was largely successful and helped to identify and address issues associated with the NPA and its administration.

A subcommittee of the FHOG scheme working group was established to share ideas, raise concerns and propose solutions to issues that arose while administering the NPA. Initially this met more regularly but eventually was only convened on an ad hoc basis. One of the main purposes of collaboration between the jurisdictions was to leverage the insights each jurisdiction had gathered from administration of similar NPAs and grants. This included sharing materials such as application forms and guidelines, with a view to ensure as much inter-jurisdictional consistency as possible.

Although the function was not specified within the NPA, jurisdictions found it useful to unofficially appoint a representative to liaise with the Treasury on their collective behalf. This minimised duplication of requests made to the Treasury for clarification or modification to HomeBuilder and the NPA. Overall, this method of working with the Treasury was reported by the jurisdictions to be an effective way to provide the Treasury with feedback and have questions answered.

The collaboration between jurisdictions’ SROs and treasuries varied. In some jurisdictions, treasuries played a more active and supportive role, with SROs taking on principle administrative responsibilities. In other

jurisdictions, treasuries had little to no involvement in operationalising the NPA. Some jurisdictions advised that their treasuries were responsible for ensuring receipt of reimbursements from the Treasury and had been responsible for approving the guidelines which supported the NPA.

During consultation, some jurisdictions spoke specifically to how they managed the level of risk imposed on them by the roles and responsibilities in the NPA. Some of the risks included that the NPA did not clearly outline responsibilities for recouping funds paid to applicants subsequently found to be ineligible. One jurisdiction mentioned that the NPA was revised to protect jurisdictions from the obligation to recover money from ineligible applicants. Whilst clause 30 of the NPA places the onus of conducting 'appropriate compliance and auditing processes' on the jurisdictions, it does not stipulate an obligation to recover funds.

One aspect of eligibility that could not necessarily be verified with front-end compliance practices included whether the property being constructed or renovated was the applicant's principal place of residence and therefore whether the applicant had met their obligations under the NPA. Jurisdictions took different approaches to mitigating the risks imposed by the NPA such as legislating it and conducting upfront compliance checks. It is important to note that in KPMG's findings validation session, a number of jurisdictions expressed firmly that the burden of risk they took on under the NPA should not be viewed as acceptable moving forward.

3.2.2 Appetite for more active leadership

Reflecting on the specific roles set-out in the NPA, jurisdictions noted that the Treasury met and continues to meet its obligations as the owner and funder of HomeBuilder in principle. However, in practice, most jurisdictions expressed that there was scope for the Treasury to have taken a more active leadership role. Some jurisdictions spoke to how their direct engagement with the Treasury was minimal. Although not consistent across the jurisdictions, some suggested that a less 'hands-off' approach from the Treasury would have meant more robust collaboration in practice. Some jurisdictions reported that the Treasury was interested in owning the program without taking responsibility for the challenges and costs associated with its administration.

In addition, the Treasury's role was also described as reactionary. Some jurisdictions felt that the Treasury did not adequately consider feedback from the jurisdictions on the implications of certain design and implementation elements in the NPA, even when raised as potential issues. Several jurisdictions highlighted that the Treasury adopted the position that jurisdictions were empowered by the NPA to use their discretion when administering the eligibility criteria. Jurisdictions were not of the same view and articulated their frustration at instances where applicants' complaints were referred to the Treasury, only to be directed back to the jurisdictions without any resolution. Extending the commencement timeframe shortly after the deadline to apply for the HomeBuilder grant was one example provided by the jurisdictions which generated a substantial number of complaints from applicants and challenges for the jurisdictions.

The Treasury noted that where possible it did consider feedback from the jurisdictions. However, it was difficult to action due to decisions, such as those to set and extend the construction commencement timeframe, being driven by the Government at the time. 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.

3.2.3 Challenges with administering the NPA

Jurisdictions acknowledged that they were ultimately able to fulfill their mandated, primary role as administrators of the NPA, however it was not without significant challenges. As mentioned, the roles and responsibilities outlined in the HomeBuilder NPA were not considered unusual when compared with other NPAs and similar schemes. Despite this, the speed with which the NPA was required to be operationalised given the community expectation generated by the Commonwealth's announcement posed significant challenges to all the jurisdictions.

Several SROs noted that when HomeBuilder was announced, they were tasked with setting it up in addition to their existing workload. In some instances, those teams already responsible for administering FHOG were allocated administration of HomeBuilder. More detail concerning the approach to resourcing adopted by the jurisdictions can be found in section 3.4.2.

Citing the NPA which makes several mentions of the expectation to align administration of the NPA with FHOG, jurisdictions raised that the Treasury erroneously assumed HomeBuilder systems could be established quickly by using existing FHOG portals. Indicative of this assumption is clause 1 under Schedule B ('Program Design and Integrity Measures') of the NPA which outlines that "States should align HomeBuilder application processes with existing processes for First Home Owner Grants (or similar)". In practice, this was not the case as is explained in further detail in section 3.3.2.

The difficulty managing the level of community expectation generated by the initial announcement of HomeBuilder was compounded by the lack of information available to both the jurisdictions and prospective applicants. One jurisdiction noted that they had cases where applicants, acting off information contained in the announcement subcontracted and even commenced specific renovation works, only to be found ineligible as more detail about the criteria was released. Contracts that did not fit the criteria could not be amended to make applicants retrospectively eligible.

3.3 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?



Exploring this review topic involved considering the appropriateness of the reporting requirements outlined in the NPA, the systems and processes used, ad hoc reporting requests, and the actual NPA review process.

This section explores findings under this key review topic. A summary of findings and future design considerations is provided below (noting further detail on the future design considerations is included in section 4).

Findings	Future design considerations
<ul style="list-style-type: none"> Performance monitoring and reporting arrangements outlined in the HomeBuilder NPA were mostly considered fit-for-purpose. 	<ul style="list-style-type: none"> N/A
<ul style="list-style-type: none"> There was some difficulty standing up performance monitoring systems and processes. 	<ul style="list-style-type: none"> Provision funding for NPA administration, to support timely design and development of systems and processes.
<ul style="list-style-type: none"> Ad hoc reporting reporting was considered burdensome by many jurisdictions. 	<ul style="list-style-type: none"> Build in comprehensive, detailed reporting obligations to the NPA at the outset.
<ul style="list-style-type: none"> Review of the NPA is coming too late. 	<ul style="list-style-type: none"> Build regular review processes into the NPA

3.3.1 Fit-for-purpose reporting arrangements

All jurisdictions noted that the performance monitoring and reporting arrangements as outlined in the NPA were fit-for-purpose. The types of data that jurisdictions were expected to collect under the NPA such as the number of recipients and grant value paid were considered reasonable, and consistent with other NPAs and similar schemes. The data that jurisdictions were expected to report on include the number of grant recipients, the value of grants paid and the total value of contracts. Reports were issued to the Treasury weekly and monthly. The monthly report was used to inform the Treasury reimbursements to the jurisdictions.

3.3.2 Standing up performance monitoring systems and processes

Jurisdictions did have trouble establishing the systems and processes required to meet the reporting obligations outlined in the NPA. Several references to aligning Homebuilder with FHOG are made in the NPA, including that “States should also have regard to their existing requirements for polices such as the first home owner grants...”. Some jurisdictions articulated that stipulating HomeBuilder systems be aligned with FHOG was based on a misunderstanding that the two programs were sufficiently similar such that their online portals and administration could be seamlessly integrated. In practice, jurisdictions adopted different approaches which included either modifying their existing FHOG portal to accommodate HomeBuilder or developing a new online portal. As these actions took time to implement, some jurisdictions also rolled-out paper applications.

Initially, configuring online systems to produce the reports required by the Treasury was burdensome. The volume of applications, lack of appropriate resourcing and manual effort required to enter paper forms into online systems added to the workload associated with meeting reporting requirements under the NPA. Some online portals were also configured such that they could only produce point in time data. It did not support pulling reports for specific time periods.

Two jurisdictions noted that the Treasury did not appreciate that the application process was 'fluid'. For example, grants awarded or provisionally awarded could be rescinded if an applicant was found to be ineligible. This would require revising figures previously reported to the Treasury.

3.3.3 Ad hoc reporting

Many jurisdictions found that the ad hoc reporting requests from the Treasury (i.e., data requested that sat outside of the mandated requirements of the NPA) were burdensome and difficult to meet.

Most of the jurisdictions reported that the Treasury made intermittent requests for data that was beyond the scope of the NPA. Often jurisdictions had not configured their reporting systems to capture more than what they were obligated to under the terms of the NPA. Jurisdictions reported responding to the Treasury's requests in various ways. Some said that whilst they may have captured the data requested, the time and costs associated with pulling that data into reports were not justifiable. Others responded to requests advising that they did not hold the data, referencing their obligations under the NPA which did not compel them to meet the requests.

One jurisdiction advised that they approached their system developer to explore whether modifications could support the requests, but the prohibitive costs prevented them from doing this every time a request was made. Most jurisdictions reported that had the data requested of them been built into the NPA, they would have been prepared to support the requests.

The types of data that jurisdictions recalled being requested to provide included:

- Postcode data (i.e., which postcodes successful applicants lived in) broken down in \$20,000 increments
- Data which showed the flow of funding to regional versus metropolitan areas
- The status of applications currently being processed
- Ministerial requests for data that related to particular locations
- Data to provide insight on the impact that flooding had had on construction timeframes more broadly, and in particular areas.

It is important to note that some ad hoc data 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.

3.3.4 Timing of the NPA review

Given the value and scale of HomeBuilder as a multi-billion-dollar national program, some jurisdictions noted that the NPA review (mandated under the NPA) was coming too late in the process. The timing provides minimal opportunity for lessons-learned to be implemented prior to the expiration of the NPA.

The arrangements discussed in section 3.2 details some of the ways in which feedback from the jurisdictions has been progressively provided to the Treasury. This has provided for some issues associated with the NPA to be addressed over the life of HomeBuilder, however some jurisdictions posited that an earlier review would have produced better outcomes.

3.4 Financial arrangements

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



Exploring this review topic involved considering the appropriateness of the funding and payment arrangements outlined in the NPA, including the administrative funding, as well as the NPA expiry date and its impact on payments.

This section explores findings under this key review topic. A summary of findings and future design considerations is provided below (noting further detail on the future design considerations is included in section 4).

Findings	Future design considerations
<ul style="list-style-type: none"> Financial arrangements under the NPA were mostly considered appropriate. 	<ul style="list-style-type: none"> N/A
<ul style="list-style-type: none"> Jurisdictions found it difficult to administer the NPA without any administrative financial support. 	<ul style="list-style-type: none"> Consider allocating administrative funding to support the implementation and operationalisation of NPAs.
<ul style="list-style-type: none"> There was concern with the expiry of the NPA and potential issues regarding applicant reviews and final payments. 	<ul style="list-style-type: none"> Earlier and ongoing collaboration with the jurisdictions. Continue consulting with jurisdictions to manage challenges related to the HomeBuilder NPA's extended expiry date.

3.4.1 Appropriateness of financial arrangements

The jurisdictions were mainly supportive of the financial arrangements outlined in the NPA. These included payments in arrears and monthly payments based on reporting summaries. This type of arrangement was consistent with other NPAs and similar schemes that jurisdictions had been party to. Jurisdictions noted that the payment process worked well, and that they were not aware of any instances where the Treasury had failed to reimburse them or payments had been delayed, where appropriate reporting procedures had been followed. Some SROs said that they did not have visibility over reimbursements as this responsibility sat with their treasuries.

As previously outlined towards the end of section 3.1.1, some jurisdictions did note that the specific grant amounts of \$25,000 and \$15,000 affected the type of residential construction activity that was promoted. One jurisdiction suggested whether different amounts for new builds versus renovations would have been more appropriate, but it was acknowledged that this was not a major issue.

3.4.2 Administrative funding support

The Treasury and the jurisdictions did not receive funding to administer the HomeBuilder NPA. Consistently, jurisdictions raised that their ability to administer the NPA was impacted by the absence of administrative funding provisioned. The scale of HomeBuilder exceeded expectations, as outlined in Figure 2 and Figure 3 in section 3.1.1, which meant that the administrative effort required to administer the NPA was greater than what was initially forecasted. Many jurisdictions hired new staff or reallocated existing staff from other business-as-usual (BAU) functions within their organisations. Irrespective of whether staff were internally or

externally recruited, jurisdictions advised that there was considerable cost and effort required to train them. Given the lack of funding provisioned, this added to the challenges of administering the NPA.

Particularly in the early stages of HomeBuilder, some jurisdictions reported that the NPA was being administered by staff who undertook the work ancillary to their BAU roles. It was reported by one jurisdiction that administrative funding constraints did lead to instances where staff were so over-worked that some have suffered adverse mental health and wellbeing outcomes as a result.

As has already been identified, all jurisdictions either had to re-purpose their online FHOOG portals or build new online portals. Some also relied on paper forms initially, as this was the fastest application method to stand-up the program. Ultimately, the data contained in paper forms had to be uploaded into the online portals, requiring substantial manual effort and time.

The costs associated with activities to stand-up the NPA were absorbed by the jurisdictions. Whilst some acknowledged they had drawn on funding from existing budgets, others made separate requests of their treasuries for funding.

3.4.3 NPA expiry

Several jurisdictions raised their concerns regarding the 30 June 2023 expiry date of the NPA. Under the NPA, the last date for applicants to provide evidence of their eligibility is 30 April 2023. This leaves little time for the jurisdictions to review evidence and make a final determination on applicant eligibility before they must submit their final monthly report to the Treasury on 15 June 2023. This report informs reimbursement from the Treasury to the jurisdictions, which under the terms of the NPA will not be paid beyond 30 June 2023.

Appeal mechanisms within the jurisdictions ranged from 60 days to several months. Many jurisdictions felt that there was not sufficient time for these appeals processes to resolve before the NPA expired. Should the outcome of an appeal be that the applicant was eligible to receive funding, jurisdictions held concerns about whether they were liable to pay the grant without reimbursement from the Treasury.

Feedback regarding the NPA expiry date was raised with the Treasury in June 2022 and a meeting to discuss the matter took place in July 2022. Some jurisdictions proposed that an extension to the expiry date or for the Treasury to allocate contingent liabilities (based on the number of grants in dispute) as possible solutions.

Some jurisdictions said that only extending the expiry date without extending the last date for applicants to submit evidence of their eligibility could raise other challenges. As part of the appeals processes conducted in the jurisdictions (which could include hearings before administrative tribunals) proof of eligibility such as evidence of construction could be requested. It is unclear whether the Treasury would accept such evidence beyond 30 April 2023.

Future design considerations

4 Future design considerations

KPMG’s review has found a number of opportunities to improve NPA design and administration. Given the HomeBuilder NPA is expiring on 30 June 2023, most future design considerations in this section are to be considered for future NPAs.

The following table sets out these future design considerations, along with the link between these considerations and specific findings from the review.

Table 4. Future design considerations

Future design consideration	Relevant finding/report section
<p>Early consultation with jurisdictions to leverage their expertise</p> <p>Overwhelmingly, KPMG heard from jurisdictions that issues with the design and detail of the NPA would have been resolved from early consultation. Jurisdictions were not made aware of HomeBuilder until it was first publicly announced (see Appendix A) and were not appropriately consulted in the design of the NPA before it had to be signed and implemented. It also meant that jurisdictions had to field a high volume of enquiries from the public about HomeBuilder, with no knowledge of how it would be implemented.</p> <p>Whilst COVID-19 did create pressure for a quick response, there was still adequate time to consult with jurisdictions before the NPA was implemented. For example, the National Partnership Agreement for COVID-19 and jurisdictions’ own stimulatory schemes were able to be established in a short timeframe with sufficient consultation.</p> <p>For future NPAs, early consultation would:</p> <ul style="list-style-type: none"> • Provide an opportunity for the jurisdictions to provide input on the terms and conditions of the NPA, indicating whether they are fit-for-purpose before implementation • Allow the parties involved to explore the level of detail contained in the NPA, ensuring that it considers a range of different scenarios in its application • Allow the Treasury to test the feasibility of leveraging existing programs or schemes and their established systems and processes to administer an NPA, or whether additional administrative set-up is required, prior to the NPA being implemented • Allow the Treasury to leverage jurisdictional expertise in the design of the NPA, given their experience in administering such schemes and agreements. Also noting their respective industry insights and knowledge of local operating environments. 	<p>3.1.3</p> <p>*Noting that most jurisdictions indicated that all findings outlined in this report regarding issues with the NPA could have been resolved or preventable with early consultation.</p>
<p>Maintain inter-jurisdictional collaboration arrangements</p> <p>As outlined in section 3.2.1 the collaboration between jurisdictions worked well in the context of the HomeBuilder NPA. The inter-jurisdictional working group was an effective forum for identifying, discussing and solving issues with the agreement and administration of the program. The Treasury should consider maintaining this arrangement in future NPAs due to its success, potentially with more formalised governance or oversight for the reporting on key issues raised and decisions made.</p>	<p>3.2.1</p>

Future design consideration	Relevant finding/report section
<p>The Treasury may also wish to consider specifying the need to appoint a particular jurisdiction to represent the group and liaise on its behalf with the Commonwealth. This appeared to work well in practice.</p>	
<p>More active leadership from the Treasury</p> <p>There is an opportunity to increase collaboration between the Treasury and jurisdictions through more active leadership from the Treasury and greater ownership of the NPA. Instead of clear separation between administration and ownership, there is benefit in the Treasury being more actively involved in the identification and management of policy issues and ongoing collaboration with jurisdictions to solve issues with NPA application. It would facilitate greater visibility and accountability for the Treasury, better sharing of insights, and better identification of issues.</p> <p>The Treasury may wish to consider greater participation in forums such as the inter-jurisdictional working group to facilitate this.</p>	3.2.2
<p>Provide administrative funding to jurisdictions</p> <p>Consideration should be given to the need to financially support jurisdictions in the administration of NPAs. Jurisdictions noted the significant amount of time and effort required to administer the NPA, and the difficulty of doing so without funding. Administrative funding would support:</p> <ul style="list-style-type: none"> • The set-up of systems and processes required to administer applications and to easily follow reporting obligations • Resourcing required to administer • Training required to upskill both new and existing staff who are responsible for NPA administration • Time spent to meet reporting obligations • Incentivising administering parties to deliver on additional reporting requests and additional administrative activities to support NPA delivery. 	3.3.2, 3.4.2
<p>Detailed performance reporting obligations</p> <p>Reporting that captures the appropriate data at the appropriate level of granularity is vital to being able to effectively assess how well a program is being delivered and whether it is meeting intended outcomes.</p> <p>The NPA would have benefited from more detailed performance reporting obligations outlined from its inception, instead of receiving additional information requests later on. This would have resulted in the following benefits:</p> <ul style="list-style-type: none"> • Jurisdictions being able to design and implement processes and systems that meet these detailed obligations, as opposed to being unable to fulfill additional, ad hoc requests for more detailed data that was not being captured • The Treasury having access to a more detailed data set that not only provides a more granular picture of delivery, but also fulfills likely questions that will be asked of such schemes/programs from Ministers 	3.3.3

Future design consideration	Relevant finding/report section
<p>Regular NPA review process</p> <p>The Treasury should consider building a regular review process into the NPA. This would involve including more frequent review points in the terms and conditions of the NPA, potentially every six or 12 months. It would require the Treasury (with independent support as required) collating insights both internally and from jurisdictions to identify lessons learned and opportunities to refine the NPA to enable more efficient and effective delivery.</p>	3.3.4
<p>HomeBuilder NPA extended expiry considerations</p> <p>KPMG understands that the issue regarding the HomeBuilder NPA’s expiry date outlined in section 3.4.3 is being discussed between the Treasury and jurisdictions. Based on feedback from the jurisdictions, consideration should be given to extending the expiry date, to enable finalisation of applicant appeal processes and reimbursement payments to the jurisdictions.</p> <p>The Treasury should continue to consult with the jurisdictions about the expiry and potential challenges. For example, jurisdictions noted that despite this extension the provision remains that applicants cannot provide any additional information for their application after 30 April 2023. Some jurisdictions are unsure about how this may affect applicants’ ability to submit further proof of eligibility or evidence of construction, as may be requested in a formal appeals process.</p>	3.4.3

Appendices

Appendix A: HomeBuilder media release

Thursday 4 June 2020

'HOMEBUILDER' PROGRAM TO DRIVE ECONOMIC ACTIVITY ACROSS THE RESIDENTIAL CONSTRUCTION SECTOR⁶

The Morrison Government is supporting jobs in the residential construction sector with the introduction of the new HomeBuilder program.

From today until 31 December 2020, HomeBuilder will provide all eligible owner-occupiers (not just first home buyers) with a grant of \$25,000 to build a new home or substantially renovate an existing home. Construction must be contracted to commence within three months of the contract date.

HomeBuilder applicants will be subject to eligibility criteria, including income caps of \$125,000 for singles and \$200,000 for couples based on their latest assessable income. A national dwelling price cap of \$750,000 will apply for new home builds, and a renovation price range of \$150,000 up to \$750,000 will apply to renovating an existing home with a current value of no more than \$1.5 million.

The program is expected to provide around 27,000 grants at a total cost of around \$680 million. This increase in residential construction will help to fill the gap in construction activity expected in the second half of 2020 due to the coronavirus pandemic. In doing so, HomeBuilder will help to support the 140,000 direct jobs and another 1,000,000 related jobs in the residential construction sector including businesses and sole-trader builders, contractors, property developers, construction materials manufacturers, engineers, designers and architects.

HomeBuilder complements existing state and territory First Home Owner Grant programs, stamp duty concessions and other grant schemes, as well as the Commonwealth's First Home Loan Deposit Scheme and First Home Super Saver Scheme.

This year, the Government delivered the First Home Loan Deposit Scheme to help eligible first home buyers to purchase their first home with a deposit of as little as 5 per cent, allowing them to get into the market sooner. HomeBuilder will create even more opportunities for first home buyers to enter the property market, as well as support other eligible Australians to build a new home or renovate an existing home.

The HomeBuilder program will be implemented via a National Partnership Agreement, signed by the Commonwealth and state and territory governments.

More information on HomeBuilder, including eligibility, can be found on the Treasury Coronavirus Economic Response website.

⁶ Prime Minister of Australia. (2020). Joint media release from the Hon Scott Morrison MP, the Hon Josh Frydenberg MP, and the Hon Michael Sukkar MP. Retrieved from <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/homebuilder-program-drive-economic-activity-across>.

Appendix B: List of stakeholders consulted

Table 5 below details the stakeholder consultations which have been completed as at 10 August 2022.

Table 5. Stakeholders consulted

No.	Stakeholder	Stakeholder Group	Date
1	Treasury Project Team	Treasury	Ongoing
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 late response to the request. 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

Source: KPMG

Appendix C: Consultation questions

As a part of this review, KPMG endeavored to consult with the representatives from all jurisdictional SROs and treasuries. Contact was initially made with SROs, who were invited to participate in one round of consultation, and to provide contact details for their respective treasuries. Most SROs opted to have a joint consultation with their respective treasury.

Consultation questions

Participants were asked to discuss the key contextual elements of the operating environment in their state or territory, including the involvement of relevant departments and agencies in operationalising the NPA and delivering HomeBuilder, as well as the situation with their residential construction industry as HomeBuilder was introduced. This was then followed by the following questions:

- 1) What has the NPA funded specifically in your state or territory?
- 2) How do the activities funded align with the objectives of HomeBuilder (as outlined in the NPA) and any other key priorities?
- 3) How effectively is the NPA provisioning for delivery of HomeBuilder in your jurisdiction? Has the NPA supported achievement of HomeBuilder's intended objectives, outcomes and outputs?
- 4) What are the key external and internal barriers to operationalising the NPA and successfully achieving the outputs, outcomes and objectives of HomeBuilder?
- 5) How do the relevant department and agencies in your state or territory collaborate with each other, and with the Treasury?
- 6) How have state and territory performance monitoring and reporting obligations outlined in the NPA operated in practice?
- 7) In what ways are the funding and payment arrangements stipulated in the NPA between the Treasury and states and territories fit for purpose?
- 8) Since HomeBuilder's inception, what lessons have been learned and what are the implications for the future of the NPA and/ or HomeBuilder?
- 9) What are the opportunities for improvement in the design and delivery of HomeBuilder, its NPA or future NPAs?

Appendix D: Data analysis

KPMG reviewed the Treasury's initial forecast data of total grants administered and total grant funding, as well as the latest available version of the Treasury's HomeBuilder Data Dashboard (as at 24 June 2020), to form an understanding of the difference between the forecasting and actuals to date.

Regarding this analysis, it is important to note the following:

- Forecast data used in this analysis is the 'Upper bound' figures from the spreadsheets provided to KPMG by the Treasury
- Forecast data was based on the \$25,000 HomeBuilder grant only, as the \$15,000 grant was not part of the program's initial design
- Forecast data assumed that HomeBuilder would end on 31 December 2020 as originally intended
- Actual data to date has been sourced from the Treasury's HomeBuilder Data Dashboard as at 24 June 2020, which was the latest version made available to KPMG
- Actual data in this analysis includes both the \$25,000 and \$15,000 grant
- Actual data in the HomeBuilder Data Dashboard does not provide a detailed breakdown of substantial renovations and new builds, so in its place KPMG has shown a breakdown of the \$25,000 and \$15,000 grant values in the tables below.

Table 6. Initial forecast of total grant numbers (May/June 2020)

Jurisdiction	Substantial renovations (#)	New builds (#)	Total
NSW	1,611	4,025	5,636
QLD	1,143	4,580	5,723
NT	17	74	91
Tas	113	571	683
Vic	2,726	6,924	9,651
WA	639	2,628	3,267
ACT	185	287	472
SA	311	1,299	1,610
Total (Australia)	6,745	20,387	27,132

Table 7. Actual total grant numbers (as at 24 June 2022)

Jurisdiction	\$25,000 grant (#)	\$15,000 grant (#)	Total
NSW	13,917	3,533	17,450
QLD	18,216	2,954	21,170
NT	370	68	438
Tas	2,342	316	2,658
Vic	25,338	4,788	30,126
WA	15,450	1,485	16,935
ACT	830	83	913
SA	8,985	1,539	10,524
Total (Australia)	85,448	14,766	100,214

Table 8. Initial forecast of total grant value (May/June 2020)

Jurisdiction	Substantial renovations (\$)	New builds (\$)	Total (\$)
NSW	\$40,284,271	\$100,620,942	\$140,905,213
QLD	\$28,577,440	\$114,494,172	\$143,071,612
NT	\$428,713	\$1,844,966	\$2,273,680
Tas	\$2,813,906	\$14,267,476	\$17,081,382
Vic	\$68,154,377	\$173,108,676	\$241,263,052
WA	\$15,968,400	\$65,709,801	\$81,678,201
ACT	\$4,619,067	\$7,171,874	\$11,790,941
SA	\$7,771,981	\$32,468,508	\$40,240,489
Total (Australia)	\$168,618,155	\$509,686,415	\$678,304,570

Table 9. Actual total grant value (as at 24 June 2020)

Jurisdiction	\$25,000 grant (\$)	\$15,000 grant (\$)	Total (\$)
NSW	\$347,925,000	\$52,995,000	\$400,920,000
QLD	\$455,400,000	\$44,310,000	\$499,710,000
NT	\$9,250,000	\$1,020,000	\$10,270,000
Tas	\$58,550,000	\$4,740,000	\$63,290,000
Vic	\$633,450,000	\$71,820,000	\$705,270,000
WA	\$386,250,000	\$22,275,000	\$408,525,000
ACT	\$20,750,000	\$1,245,000	\$21,995,000
SA	\$224,625,000	\$23,085,000	\$247,710,000
Total (Australia)	\$2,136,200,000	\$221,490,000	\$2,357,690,000

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Ongoing Implementation of Government Initiatives — ^{s 22} [REDACTED] and HomeBuilder

2022-23 Internal Audit Report

January 2023

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Executive summary

Background

As part of the Department of the Treasury's (the Treasury) 2022-23 Internal Audit Plan, the Audit and Risk Committee (ARC) endorsed a review over the ongoing management of key programs that were rapidly stood up in response to COVID-19 (e.g. s22 and HomeBuilder).

Since the outbreak of the COVID-19 pandemic in March 2020, the Treasury has seen a shift in its responsibilities. COVID-19 led to a deterioration in the domestic and global outlook, with an uncertain recovery pathway and timeframe. In light of this, the Australian Government took unprecedented steps during the height of the pandemic to support households and businesses in an effort to mitigate the significant economic consequences. The Treasury played a critical role in the economic response, through the rapid design and implementation of key temporary economic measures such as JobKeeper and HomeBuilder.

In recognition of the heightened risk of these measures being delivered at speed, as part of the Treasury's 2020-21 and 2021-22 Internal Audit Plans, the ARC endorsed a series of agile health check audits to ensure key risks related to the rapid design of policy and deployment of programs had been identified and well managed. The programs reviewed, to date, by Internal Audit include:

Name	Current Program Status ¹	Name	Current Program Status
s22			
HomeBuilder ³	Open	SME Recovery Loan Scheme (Phase 3)	Open ⁴

The resulting internal audit reports on the *Rapid Implementation of Government Initiatives – COVID-19 Policy Design and Deployment* found opportunities to strengthen program and project management practices at a departmental level, in addition to findings and recommendations that were specific to each program. Due to the compressed timeframes and given many programs had only recently been designed and announced, it was too early for most to assess planning for program closure activities.

The objective of this follow-up audit was to assess the Treasury's ongoing management of the s22 and HomeBuilder programs, specifically whether processes have been established to support planning for program closure activities, including evaluating outcomes, transition planning, records management and identification of lessons learned for future activities. Note: The programs selected for review were informed by consideration of the following: current program status (i.e. those that were open during fieldwork have been targeted) and previous audit

¹ s22

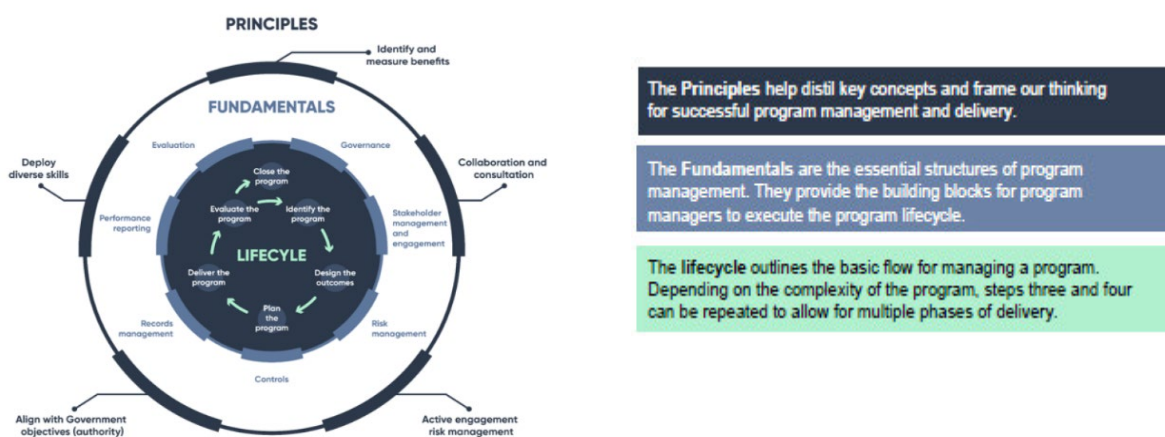
³ HomeBuilder formed part of a range of Australian Government initiatives intended to support confidence in the residential construction sector and encourage consumers to proceed with purchases or renovations that may have been delayed due to uncertainty around the effects of the COVID-19 pandemic. The program is due to end on 30 June 2023.

s22

activity (e.g. whether the previous audits considered program closure activities and the risk rating of identified findings).

It is noted that to strengthen program and project management practices at a departmental level, the Performance and Risk Committee (PRC), at its 7 June 2021 meeting, recommended to Executive Board establishment of an enterprise level Program Management Advisory team within the Executive Coordination and Governance Branch. This team was established in August 2021.

The purpose of the Program Management Advisory team is to enhance program management practices across the Treasury by providing a range of services to program managers and their teams. Since its establishment, the team have developed and rolled-out a Program Management Framework to provide a structured approach to program management and delivery across the Treasury. Whilst the purpose of this audit is not to assess adherence to this framework, the principles and fundamentals which underpin the framework have helped to inform the scope of this audit. These are summarised in the diagram below:



Objective and scope

The objective of this in-flight audit was to assess the Treasury’s ongoing management of the s22 and HomeBuilder programs. Specifically, this review focused on the processes which have been designed and implemented by the Treasury to support planning for program closure activities, including evaluating outcomes, transition planning, records management and identification of lessons learned for future activities. This included consideration of the following:

- **Performance reporting and evaluation of outcomes** – achievement of policy intent is supported by a planned approach to evaluation, and is underpinned by available quantitative and qualitative data;
- **Transition planning** – where relevant, consideration has been given to ongoing program delivery (e.g. the people, processes and systems required to deliver the program as BAU) and handover requirements;
- **Record keeping** – quality, consistency and transparency of documentation maintained to support key decisions and program delivery; and
- **Lessons learned** – lessons learned, to date, have been identified, documented and shared to facilitate continuous improvement across the Treasury.

In addition, we confirmed (at a high level) whether ongoing arrangements remain appropriate with respect to the following principles:

- **Governance** – there is a clear understanding of respective roles and responsibilities across the Treasury (e.g. including for any planned handover), in addition to its interdepartmental role across Government;
- **Stakeholder management and engagement** – clear channels of communications are in place which allow for key stakeholder feedback to be obtained, reviewed and implemented;

- **Risk identification and management** – a systematic approach to risk and issue identification, escalation and management via a risk register, which is supported by periodic reporting to an appropriate governance body;
- **Controls** – the design, implementation and operating effectiveness of mitigating controls to address identified and emerging risks, with a focus on legal, payment integrity and fraud related risks; and
- **Opportunities for improvement** – how risks are being managed, potential gaps and improvement opportunities, in addition to a follow up of the implementation of previous audit recommendations to confirm any new processes and controls continue to operate effectively.

Note: Given s22 and HomeBuilder were at different stages of the program delivery lifecycle during fieldwork. We prioritised our level of effort based on the current status of the program s22

whereas HomeBuilder is at Stage 4 Deliver).

Scope exclusions

The following was not included in the scope of the review:

- An audit opinion, under Australian Auditing Standards, Standards on Review Engagements or Standards on Assurance Engagements, regarding the operating effectiveness of controls and the performance information collected.
- An assessment of the adherence of in-scope programs to the Treasury's Program Management Framework. Our observations from the *Rapid Implementation of Government Initiatives - COVID-19 Policy Design and Deployment* review helped inform the design of the Treasury's Program Management Framework. As such, in the absence of an enterprise-wide Program Management Framework, we acknowledge that s22 and HomeBuilder have established their own processes to manage their respective programs.

Key observations and recommendations

Rating	Severe	High	Medium	Low	Very Low	Overall
Number	-	-	4	-	-	Medium

Each individual internal audit finding raised (against the two programs assessed through this audit,) is assigned a risk rating, consistent with the Treasury's Risk Management Policy and Framework. Refer to Appendix E for further detail.

Overall, the Treasury has continued to take an effective fit-for-purpose approach to delivering the JobKeeper and HomeBuilder programs, however, there is a need to strengthen planned program closure activities for both programs as a matter of priority. These areas for improvement have been agreed with the relevant Senior Responsible Officer (SRO), and are summarised below. For further information on our detailed assessment, including our identified positive observations, refer to **Appendix A** for s22 and **Appendix B** for HomeBuilder.

JobKeeper

Finding	Rating
<p>Planning for Program Closure – Planned Approach to Evaluation:</p> <p>Whilst an Evaluation Framework exists, there is a lack of clarity in regard to who is responsible for undertaking the evaluation and the timeframe for completion. When developed, the Treasury's Executive Board requested the evaluation to be managed by the (then) Strategic Coordination and Communications Division (within Corporate and Foreign Investment Group) with a timeframe of completion of late 2022.</p> <p>Through discussions with the s22 and Corporate Division, it was acknowledged this timeframe would not be met due to loss of key personnel and competing priorities (including priorities relating to the change of Government and the delivery of a second budget in 2022). Through these discussions it also became evident that there was a lack of clarity with respect to who was responsible for delivering the evaluation. This should be resolved as a matter of priority, in addition to revisiting the timeline for completion of the evaluation – as set out in the Evaluation Framework.</p>	M

HomeBuilder

Finding	Rating
<p>Risk Management:</p> <p>Given no significant program changes have occurred in the past 12 months and as program implementation has become more established, governance meetings for the HomeBuilder Working Group have moved to an as-needed basis. Whilst this is fit-for-purpose, it has made it more difficult to capture how risks are being actively managed. This is critical given the Treasury is responsible for the oversight of risks facing the program – both from a policy and implementation perspective.</p> <p>The program risk register should be updated to provide a contemporary view of delivery and program closure risks currently being managed by the Treasury. As part of the update, a fit for purpose approach should be developed to ensure it routinely reviewed and updated up until closure of the program in June 2023.</p>	M
<p>Controls:</p> <p>The Treasury is heavily reliant on State Revenue Offices (SROs) to deliver the program. Whilst the SROs are best placed to deliver the program given their management of other similar grants, the approach does limit the Treasury's ability to assess whether the identified controls are operating effectively.</p>	M

Finding	Rating
<p>This is reflected in the risk register, which places a significant reliance on the effectiveness of controls owned and operated by the SROs and also identifies that confirmations / representations will be sought from SROs on fraud and integrity matters on a periodic (six monthly / annual) basis.</p> <p>Given the Treasury ultimately bear financial and reputational risk for the delivery of the program, it should seek to obtain the outcome of compliance and auditing processes which have been completed by the SROs.</p>	
<p>Record Keeping:</p> <p>Whilst we were readily provided access to supporting documents throughout the audit, we did identify a need for the Housing Branch to finalise and maintain version control of key program management artefacts. Specifically:</p> <ul style="list-style-type: none"> - The Program Management Plan identifies a number of supporting documents as in draft or requiring update, but they have been finalised or were assessed as not required. - Risk Register: Two versions of the program risk register were provided through the audit. <p>As part of the program closure process, the Treasury should ensure final versions of all program management artefacts (e.g. the Program Management Plan, and linked / reference artefacts) are stored on SharePoint.</p>	<div style="background-color: yellow; padding: 5px; display: inline-block;">M</div>

Appendix B - HomeBuilder Program

Background

On 4 June 2020 the Australian Government announced the HomeBuilder program, to provide eligible owner-occupiers a \$25,000 grant to build a new home or substantially renovate an existing home, and sought the assistance of the States and Territories in administering the program. The program is designed to support the residential construction sector recover from COVID-19.

To access this grant, under the first iteration of the program, prospective applicants were required to sign a building contract on or after 4 June 2020 up to and including 31 December 2020 to either build a new home or substantially renovate their existing home. The building contract was required to specify that construction would commence within three months of the date of the contract, noting that States and Territories had the ability to extend this deadline by up to three months, where commencement is delayed due to unforeseen factors.

On 29 November 2020, the Australian Government announced an extension of the program, noting the value of the grant was reduced to \$15,000. To access this new iteration of the grant, prospective applicants were required to sign a building contract on or after 1 January 2021 up to and including 31 March 2021 to either build a new home or substantially renovate their existing home. The construction commencement requirement was also extended from three to six months for all applicants.

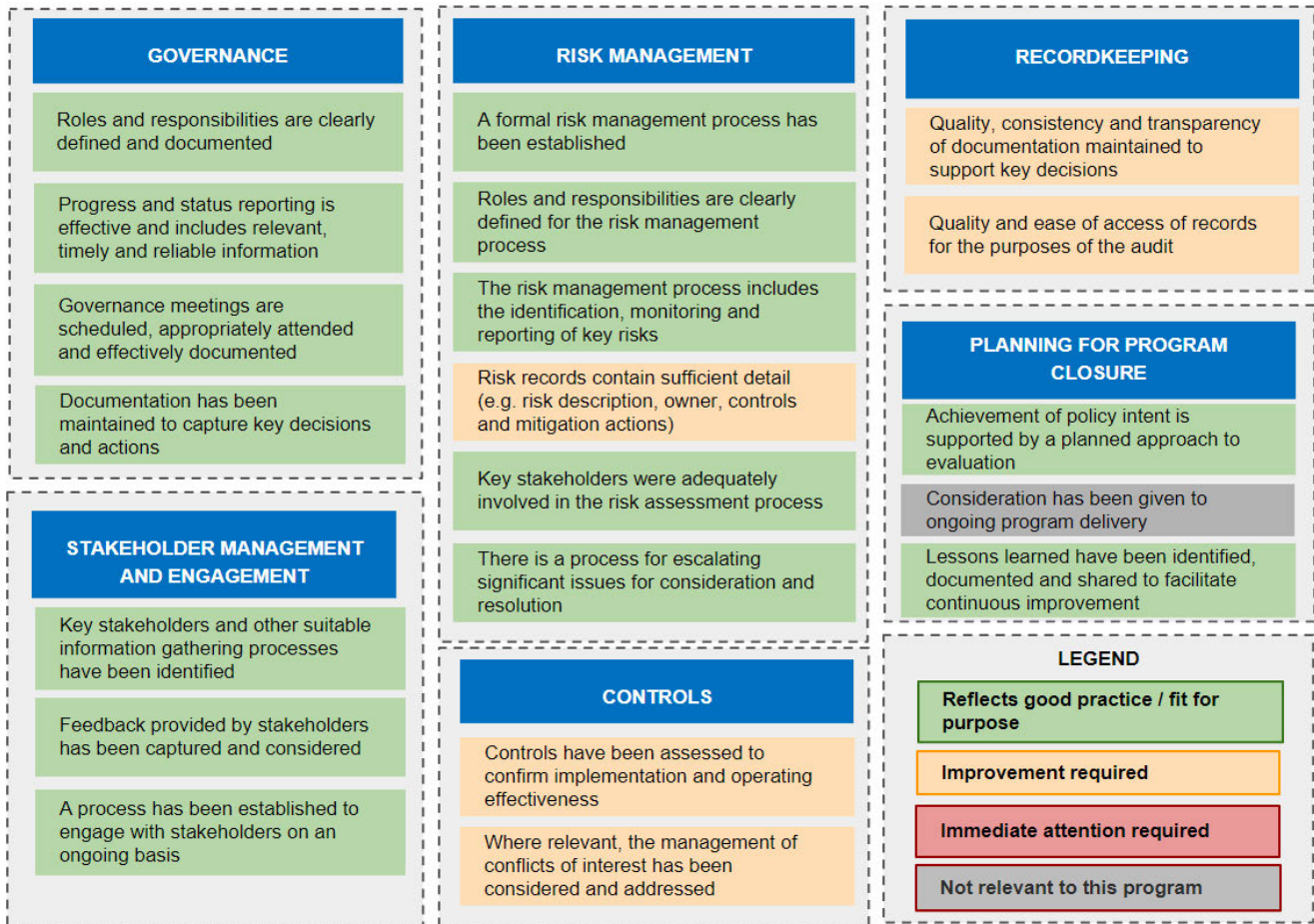
Applications for HomeBuilder closed at midnight, 14 April 2021.

After applicants closed, on 17 April 2021, the Australian Government extended the construction commencement requirement from six to 18 months for all existing applicants. This decision was taken in response to unanticipated delays in the construction industry caused by COVID-19 related supply constraints, including delays in global supply chains, and recent natural disasters.

HomeBuilder complements existing First Home Owner Grant, stamp duty concessions and other grant schemes, as well as the Commonwealth's First Home Loan Deposit Scheme and First Home Super Saver Scheme. The program is implemented via a National Partnership Agreement (NPA) signed by the Commonwealth and all State and Territory governments. This approach utilises existing mechanisms to distribute the HomeBuilder payments.

The program is expected to cost \$3 billion. Final program costs may differ from this estimate as HomeBuilder is an uncapped and demand-driven program. The program is due to close on 30 June 2023.

Summary assessment against our scope



What's working well

Planning for Program Closure: Per the Program Management Plan, the Housing Branch (within Personal and Indirect Tax, Charities and Housing Division) is responsible for delivering the following two reviews of the HomeBuilder program:

1. Review of the HomeBuilder NPA: The Treasury commissioned KPMG to undertake a review of the NPA, which was completed in September 2022, with the goal of assessing whether the program had achieved the agreed objectives and outcome of the agreement. The review covered four focus areas, being:

- implementation and performance of the NPA;
- fulfilment of roles and responsibilities;
- the utility of performance indicators and reporting arrangements; and
- the effectiveness and appropriateness of financial arrangements.

It is important to note the review did not assess the achievement of outcomes. This will be addressed / covered through the second review.

Overall, the report noted 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, and the NPA provided an appropriate supporting framework. Further, performance monitoring and reporting arrangements outlined in the HomeBuilder NPA were mostly considered fit-

What's working well

for-purpose. This is consistent with our inspection and assessment of reporting performed in September 2022 (as a sampled month).

The report also highlighted a number of future design considerations / lessons learnt (e.g. early consultation with jurisdictions to leverage their expertise and knowledge of local operating environments and potential challenges with eligibility and reporting requirements and a more active governance role taken by the Treasury) which should be formally tracked to ensure they have been actioned. It is noted that many of these future design considerations were driven by the rapid nature through which the program was developed in early 2020. For example, the Treasury did not have the ability or time to undertake a consultation process to help inform the design of the program.

2. Review of HomeBuilder: The review will consider / assess the implementation of the program, including the identification of opportunities for improvement in the Treasury's approach to program and risk management and whether the program achieved policy goals. The review will build on the Review of the HomeBuilder NPA, and is planned to be conducted after the program closes on 30 June 2023.

Governance, Stakeholder Management and Engagement and Risk Identification and Management: Through our last in-flight audit of the program, in November 2020, a number of recommendations were made to strengthen program management practices. This included:

- development of a Terms of Reference for the HomeBuilder Working Group. The group provides a forum for the Commonwealth, State and Territory Governments, via their respective Treasuries, to meet and discuss policy and program implementation issues that arise from the implementation of HomeBuilder, and work through solutions; and
- finalisation of the program's Risk Strategy, including consultation with individual State Revenue Offices (SROs) to identify, assess and manage risks related to payment integrity, fraud monitoring and unsafe work practices in the construction sector. It was expected that these consultations would also provide the Treasury with greater visibility of the key controls each SRO has in place to manage these risks and assignment of accountability, enabling consideration of whether risks are being managed within the Treasury's risk appetite, or whether control gaps exist which require further attention.

Through inspection of relevant documentation (e.g. output of one-on-one consultations held with the SROs in February and March 2021), we were able to confirm all recommendations have been appropriately addressed.

Given no significant program changes have occurred in the past 12 months and as program implementation has become more established, governance meetings for the HomeBuilder Working Group have moved to an as-needed basis. Whilst this is fit-for-purpose, it has made it more difficult to capture how risks are being actively managed. This is critical given the Treasury is responsible for the oversight of risks facing the program – both from a policy and implementation perspective.

Opportunities for improvement

Risk Management: As noted above, in the absence of a suitable governance forum, there has not been an opportunity to review and update the HomeBuilder risk register to ensure key delivery risks are being well managed.

For example, a key legal risk currently being managed (but not captured on the current register) relates to States and Territories needing more time to finalise payments and close the program, noting the NPA ends on 30 June 2023. The Treasury has managed the risk well through obtaining legal advice which has confirmed it can write to the States and Territories to seek their agreement to remove the clause in the NPA (clause 33) that states the last payment date will be 30 June 2023. If they agree, the NPA can continue operating until the States and Territories are finished and the Commonwealth can continue to reimburse

Management response

Agree

Currently the HomeBuilder team are working to update the risk register and risk governance for the program to prepare for its closure.

Responsible Officer:

Vera Holenstein, Assistant Secretary, Housing Branch

Opportunities for improvement	Management response
<p>them. The Housing Branch confirmed that all States and Territories have agreed with the proposed change.</p> <p>Recommendation: <i>The risk register should be updated to provide a contemporary view of delivery and program closure risks currently being managed by the Treasury. As part of the update, a fit for purpose approach should be developed to ensure it routinely reviewed and updated up until closure of the program.</i></p>	<p>Implementation Date: Initial updates to the risk register 13 February 2023</p> <p>Further consideration of necessary changes to risk management for the remainder of the program following that update – 28 February 2023</p>
<p>Controls: The one-on-one consultations held with the SROs in February and March 2021 provided an opportunity for the Treasury to understand the key controls which have been designed and implemented (by each SRO) at the application stage (e.g. data matching and leveraging existing infrastructure for the First Home Owner Grant), to manage key risks (e.g. payment integrity, fraud and WH&S) and compliance and assurance processes (e.g. review and approval of an initial assessment made by another more senior officer – which includes review of the completed eligibility checklist).</p> <p>Whilst the SROs are best placed to deliver the program given their management of other similar grants, the approach does limit the Treasury’s ability to assess whether the identified controls are operating effectively. Given the Treasury ultimately bear financial and reputational risk for the delivery of the program, this visibility is important. This is reflected in the risk register, which places a significant reliance on the effectiveness of controls owned and operated by the SROs and also identifies that confirmations / representations will be sought from SROs on fraud and integrity matters on a periodic (six monthly / annual) basis.</p> <p>Noting that neither the Treasury or SROs received additional funding to administer the program, this is an important consideration for future similar programs (i.e. the need to build in and resource an audit or compliance program requirement, with supporting reporting to the Treasury). With respect to HomeBuilder, the Treasury should seek to obtain the outcome of compliance and auditing processes which have been completed by the SROs, noting the NPA suggested SROs should consider appropriate compliance and auditing processes.</p> <p>Note: It is important to highlight the compressed timeframes that HomeBuilder was designed under. At the time of announcement of HomeBuilder (4 June 2020) and negotiating the original NPA (signed by the Commonwealth on 12 June 2020 and signed by the last SRO on 2 July 2020), States and Territories were still in the early stages of considering how to design their application processes and approach to assessing eligibility criteria.</p> <p>Recommendation – Short Term: <i>The Treasury should seek to obtain the outcome of compliance and auditing processes which have been completed by the SROs, noting the NPA suggested SROs should consider appropriate compliance and auditing processes. This should be completed as part of the program closure process, and should be cross checked with the output of previous one-on-one consultations held with the SROs.</i></p> <p>Recommendation – Long Term: <i>Future programs funded under similar funding agreements should consider how the Treasury will obtain comfort over the effective operation of key controls which are operated by third parties. This consideration should form part of the work the Treasury completes in response</i></p>	<p>Short Term</p> <p>Agree The Treasury will engage with SROs to obtain any documentation they can provide on the outcomes of auditing and compliance processes, noting that, although the NPA suggested states should consider these, it does not require them to provide any data or analysis to the Commonwealth.</p> <p>Responsible Officer: Vera Holenstein, Assistant Secretary, Housing Branch</p> <p>Implementation Date: 30 June 2023</p> <p>Long Term</p> <p>Agree This recommendation will be addressed through the development of a case study and other updated guidance in the next iteration of the Program Management Framework.</p> <p>Responsible Officer: s22 [redacted] A/g Assistant Secretary, Executive Coordination and Governance Branch</p> <p>Implementation Date: 30 June 2024</p>

Opportunities for improvement	Management response
<p><i>to the future design considerations / lessons learnt through the Review of the HomeBuilder NPA.</i></p>	
<p>Recordkeeping: While we were readily provided access to supporting documents throughout this audit, we did identify a need for the Housing Branch to finalise and maintain version control of key program management artefacts. Specifically:</p> <ul style="list-style-type: none"> - The Program Management Plan identifies a number of supporting documents as in draft or requiring update, but they have been finalised or were assessed as not required (e.g. the roles and responsibilities document and the Stakeholder Engagement and Communication Management Plan). The plan should be updated prior to program closure, and final versions of all documents stored on SharePoint in line with the Treasury's information management requirements. - Risk Register: Two versions of the program risk register were provided through the audit. <p>Recommendation: <i>As part of the program closure process, the Treasury should ensure final versions of all program management artefacts (e.g. the Program Management Plan, and linked / reference artefacts) are stored on SharePoint.</i></p>	<p>Agree Currently the HomeBuilder team are working to finalise these documents to prepare for the closure of the program.</p> <p>Responsible Officer: Vera Holenstein, Assistant Secretary, Housing Branch</p> <p>Implementation Date: 30 June 2023</p>

Appendix C - Our approach

Planning

- Engaged with the Audit Sponsors, and other relevant policy areas, to obtain an update of the Treasury's role and key processes which have supported the implementation / delivery of the s22 and HomeBuilder programs.
- Developed and agreed the Assignment Plan with the Audit Sponsors and Risk and Governance in the Executive Coordination and Governance Branch.

Fieldwork

- Obtained an understanding of the Treasury's role and responsibilities for the s22 and HomeBuilder programs, including planning, governance, escalation and reporting protocols, stakeholder management and risk management arrangements. In addition, where relevant, we obtained an understanding of current mechanisms in place to support the Treasury's interdepartmental role across Government.
- Reviewed key documentation, including policies, procedures, risk registers (including fraud), templates and other relevant material (e.g. meeting minutes, program closure procedures) to obtain an understanding of how the Treasury has identified and managed key risks and the adequacy of record keeping practices (e.g. is information easily at hand and centrally stored).
- Performed an end-to-end walkthrough to confirm the key controls and processes which have been designed and implemented by the Treasury are operating effectively to support achievement of the desired policy outcome/s, including arrangements to support program closure (e.g. performance reporting, development of an evaluation plan and identification of lessons learned).
- Met with relevant stakeholders within the Treasury to assess the design and implementation of key risk mitigation controls, and to ensure there is / was a clear understanding of respective roles and responsibilities.
- Identified potential gaps (e.g. controls not working as designed or risks not mitigated) and identify opportunities for improvement. Where relevant, we compared and contrasted activities and approaches undertaken by the relevant policy / business area with recommendations made through previous audits (i.e. from our agile health check audits undertaken in 2020-21) to confirm any new processes and controls continued to operate effectively.
- Discussed potential control weaknesses, deficiencies and opportunities for improvement with relevant stakeholders.
- Confirmed any observations and findings real-time.

Reporting & Quality

- Confirmed the factual basis of audit observations with management during the exit meeting.
- Prepared the draft report for management comment.
- Obtained management comments from the Audit Sponsors and incorporated them into the final report with coordination support from Risk and Governance.
- Maintained quality assurance processes throughout the audit.
- Sought feedback to continually improve on lessons learnt from the review.

Appendix D - Audit stakeholders

The following stakeholders were consulted as part of this review:

Stakeholder	Position
s22	
HomeBuilder	
Laura Berger-Thomson	First Assistant Secretary, Personal and Indirect Tax, Charities and Housing Division
Vera Holenstein	(A/g) First Assistant Secretary, Personal and Indirect Tax, Charities and Housing Division
s22	Director, Housing Branch
s22	Assistant Director, Housing Branch
Risk and Governance	
s22	Director, Risk and Governance and Program Advisory Services, Executive Coordination and Governance Branch
s22	Assistant Director, Risk and Governance, Executive Coordination and Governance Branch

Appendix E - Risk matrix

Treasury Risk Matrix

Each individual internal audit finding raised is assigned a risk rating, consistent with the Treasury's Risk Management Policy and Framework.

		Consequence Rating				
		Insignificant	Minor	Moderate	Major	Extreme
Likelihood Rating	Almost Certain	Low	Medium	High	Severe	Severe
	Likely	Low	Low	Medium	High	Severe
	Possible	Low	Low	Medium	Medium	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Low	Medium

Likelihood	Probability	Description
Almost certain	91% and above	The risk is almost certain to eventuate within the foreseeable future
Likely	61-90%	The risk will probably eventuate within the foreseeable future
Possible	31-60%	The risk may eventuate within the foreseeable future
Unlikely	5-30%	The risk may eventuate at some time but is not likely to occur in the foreseeable future
Rare	Less than 5%	The risk will only eventuate in exceptional circumstances or as a result of a combination of unusual events

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WL 127070755

Our ref: 2021-200141, 2021-703784, 2021-704655,
2021-704803, 2021-707031, 2021-707164

29 November 2021

s22

A/g Director
Housing Policy Unit, Social Policy Division
Treasury
1 Langton Crescent
PARKES ACT 2600

Dear s22

Finalisation of Investigation – with comments and suggestions

Thank you for your response to our enquiries about this matter. Having considered all the relevant circumstances, we have decided that no further investigations of these complaints are warranted. Please accept this email as notice that we are no longer investigating these complaints.

You should also be aware that we offer the complainants an opportunity to seek an internal review of this decision. Should this occur and we reach a different conclusion we may contact you again.

Although we have decided to finalise this investigation, we consider it appropriate to make the following comments under section 12 (4) of the *Ombudsman Act 1976* (the Act).

Background

Our Office received over 120 complaints about the HomeBuilder scheme. Many of the issues raised are out of jurisdiction as they relate to issues of State/Territory administration. However, there were several issues arising in these complaints which related to Treasury's administration of its responsibilities under the Agreement. These include concerns about:

1. Transparency and consistency in the communication of critical information about the grant
2. Clarity and certainty about defined terms in the grant, and
3. Complaint and resolution processes.

Our Office met with Treasury on 21 July 2021, to discuss the trends we were seeing in HomeBuilder complaints and our intention to investigate a sample of complaints.

Our investigation

We requested that Treasury provide a response to our Office about the Agreement, the guidance it provided to States and Territories about the grant, and its evaluation and review of the scheme.

We also requested information about Treasury's complaint handling and records for the following complainants:

s 47F

Comments

It is positive that Treasury established the HomeBuilder Working Group and that its terms of reference included providing for nationally consistent implementation of HomeBuilder and discussing implementation issues, concerns and strategies for mitigating key risks (including communication).

It is also evident that Treasury responded positively to complaint feedback it received about the scheme, by extending the application deadline to 14 April 2021 and advising States and Territories it was within scope of the Agreement to treat applications started prior to 14 April 2021 as 'submitted'.¹

The comments in this letter focus on further lessons learned from complaints we received about HomeBuilder and suggestions to improve the rollout and administration of similar programs in future.

1. Transparency and clarity in communication about critical information

A recurring theme in HomeBuilder complaints was the lack of transparency or clarity about the deadline to apply for the grant. Many complainants also raised concerns about inconsistency between how key terms were defined and interpreted by each State and Territory.

Information about deadlines

We understand that in June 2020, when HomeBuilder was first announced, the deadline to apply for the grant was 31 December 2020. In November 2020, Treasury announced an extension to the program and a new deadline of midnight 14 April 2021 to apply for the grant.

Many complainants, including s 47F reported to our Office that there was a lack of critical information provided to the community about the HomeBuilder application deadline when the policy was first announced.

s 47F

As part of our investigation, we considered information contained on Treasury's website page 'Economic Response to the Coronavirus – HomeBuilder' (the webpage) from 2020. It contained a

¹ For example – Treasury email to Victorian Commissioner of State Revenue 26 May 2021.

OFFICIAL

'Frequently Asked Questions' document (FAQs) and a Factsheet that could be downloaded. While no information about the application due date was included in the FAQs or the Factsheet on 4 June 2020, by 27 July 2020, information about the 31 December 2020 deadline was included on the Factsheet. In addition, by 27 July 2020, while Treasury directed questions about HomeBuilder to the relevant State and Territory Revenue Offices, there was no information contained on its own webpage about the deadline to submit an application.

Treasury stated that States and Territories were responsible for communicating important information about the requirements of HomeBuilder. On 27 July 2020, New South Wales, South Australia and Tasmania all included information on either their State Revenue websites or their application forms that valid applications would need to be submitted by no later than 31 December 2020 (the original application due date).

It is to be expected that a Commonwealth scheme, with essential criteria and guidelines set by the Commonwealth will not be uniformly administered when administration is devolved to the States and Territories. Nevertheless, we think Treasury had a crucial role in ensuring that critical scheme information was available at a national level when making announcements and providing public information about the scheme.

In our view, information of a 'critical nature' included the requirement to make an application within a specified time. We think this information should have been more prominently displayed or advertised by Treasury on its webpage.

This view extends to scenarios where deadline or eligibility information may not yet be available. We realise the speed with which the HomeBuilder scheme was implemented during the 2020 COVID-19 related economic downturn meant that the finer details of the grant may not have been immediately available.

In our view, where critical deadline or eligibility information is not available, government website information should signal that it is coming. For example, by indicating that details of an application deadline will be made available and advising potential applicants to continue checking its website for further information.

The below suggestion is made in the spirit of continuous service delivery improvement to be taken into account in the future.

Suggestion

1. Treasury should publish clear information about application deadlines promptly when new schemes are announced, especially where:
 - there may be a gap in the Commonwealth announcing the scheme and administering States or Territories publishing critical scheme information
 - members of the public may take steps or make financial commitments based on a Commonwealth announced scheme prior to the administering States or Territories publishing critical deadline or eligibility information
2. Where critical deadline or eligibility information is not available at the time a scheme is announced, website information should signal this. For example, by stating an application deadline will apply and advising potential applicants to continue checking its website for further information.

2. Clarity and certainty about defined terms in the grant

During the course of 2021, we received complaints from people in all States and Territories about lack of clarity in the requirements to submit an application. This resulted in significantly different treatment of applications in different States.

Treasury informed our Office that States and Territories were chosen to administer the HomeBuilder program because of their prior experience implementing similar first homeowner grants. Accordingly, we understand that there was some variation between the kinds of systems and administrative processes used to obtain application information prior to the deadline.

However, in our view some of this variation could have been avoided, and the program more fairly and consistently applied nationally, had there been clearer definitions of key terms in the Agreement.

For example, the Agreement did not specify the meaning of making an 'application' for the purposes of meeting the application deadline.

For example: from the outset in Tasmania, applicants were sent a letter confirming their application had been accepted², pending proof of renovation or building commencing (to effect actual payment). By contrast in Victoria, the State Revenue Office did not initially appear to treat an application as submitted until the verifying information was provided. This information differs again from the comments made by s 47F and s 47F who appear to have been informed that they would not be able to submit a valid application without all required documentation.

s 47F



This resulted in complaints to our office, from people in States and Territories who missed out because they had not provided all relevant information by the cut-off date. This was eventually

² From November 2020, this was referred to as 'conditional approval'.

remedied following Treasury advice to State and Territory governments confirming applications would be honoured provided applications were commenced prior to the cut-off date.

In our view, the lack of reasonable consistency about when and in what circumstances a HomeBuilder application would be accepted and deemed 'submitted' led to confusion. We also think it is possible this confusion may have deterred some people from progressing their applications or making applications prior to the deadline.³

Suggestion

3. Treasury should ensure it provides clear guidance to State and Territories administering Commonwealth programs about the meaning of a valid 'application' for the purposes of meeting application deadlines.

Note: where applications are to be lodged online, there must be clarity about what will constitute a 'submitted' application.

3. Complaint and Resolution processes

Treasury informed our Office that complaints about HomeBuilder could be lodged via email, its online form or by phone. Complaints were also referred from the Minister's office to Treasury.

During our investigation, we obtained copies of complaints made to Treasury about the HomeBuilder scheme as well as copies of complaint responses sent to the five complainants listed above.

s 47F



Treasury told us that since 14 April 2021, when HomeBuilder applications closed, its complaint inbox is not monitored closely. We note that s 47F initiated her complaint after this date on 23 April 2021, and approached our Office on 21 May 2021, frustrated at a lack of response to the complaints made to Treasury. Treasury's response letter to s 47F is not dated. However, it is clear that she made a number of complaints to the Minister and Prime Minister when she did not receive a response from Treasury.

³ In other complaints we received, some people who only had approximate construction commencement dates told us they delayed pressing 'submit' on their applications as they felt they could not confidently declare that all the information was true and correct (and so could not complete the online application process before the application deadline). These people felt they had been disadvantaged relative to other people who had provided an approximate construction commencement date.

While Treasury said it reviews incoming complaints from this inbox on a sporadic basis, we think the inbox should have been monitored closely after the application deadline, given many complaint issues emerged after the application deadline.

Robust and easily accessible complaint pathways are important for early identification of problems. This is particularly true in new and evolving programs. Complaints are critical to not only resolve issues for the individual, but to refine and improve program delivery and administration.

The Agreement encouraged, but did not require, States or Territories to have a process for handling complaints about HomeBuilder. The Implementation Guidelines in Schedule B to the Agreement only specified that 'States should consider appropriate appeals and complaints processes'.

In our view, a robust complaints and internal review process was a critical element in the delivery of Homebuilder. We consider that complaints processes should be considered by Treasury as a requirement of the delivery of such programs.

4. Treasury should ensure that:

- It monitors and responds to individual complaints about Commonwealth programs for the duration of the program (i.e. beyond application deadlines)
- In the future where Treasury enter into agreements with State and Territories for the administration of Commonwealth programs it should take active steps to ensure that robust complaints and review processes are in place.

Conclusion

We appreciate Treasury's assistance with our investigation of these complaint and trust that the preceding comments appropriately explain our conclusions in this matter.

We would be grateful if Treasury could provide a response to the comments and suggestions we have made by **7 January 2022**.

If you have any questions about these comments, please contact s22 the Investigation Office who handled this matter, on s22

It would be appreciated if Treasury's response to the comments could be sent to ombudsman@ombudsman.gov.au.

Yours sincerely,

s22

Director- Complex Complaints
Complaints Management and Education
Commonwealth Ombudsman