



Australian Government



National Housing Finance
and Investment Corporation



National Housing Finance and Investment Corporation

Corporate Plan 2019–20

The corporate plan is a Commonwealth entity requirement under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The 2019–20 Corporate Plan is prepared in accordance with the PGPA Rule 2014 and will be acquitted in the annual performance statements published in the National Housing Finance and Investment Corporation Annual Report 2019–20.

The reporting periods covered by this corporate plan are 2019–20 to 2022–23.

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1. Message from the Chair

As Chair of the National Housing Finance and Investment Corporation (NHFIC), and on behalf of the Board as the accountable authority, I am pleased to present our 2019–20 Corporate Plan. The plan covers the four-year period from 2019–20 to 2022–23, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

This corporate plan does not take into account the new functions being given to NHFIC under the Government’s First Home Ownership election policy. The corporate plan will be updated once a new Investment Mandate is issued to the NHFIC Board providing direction on the performance of these functions.

Brendan Crotty
Chair
NHFIC Board

2. About the National Housing Finance and Investment Corporation

NHFIC is dedicated to improving housing outcomes, with a particular focus on affordable housing.

We were established under the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act) and are defined as a corporate Commonwealth entity under the PGPA Act. NHFIC is part of the Treasury portfolio of agencies and reports to the Treasurer (the responsible Minister).

We are governed by an independent, skills-based Board that reports to Parliament through our responsible Minister. The Board is responsible for NHFIC's investment strategy and its overall operations. Staff are employed under the NHFIC Act and are not members of the Australian Public Service.

The responsible Minister may provide directions about the performance of NHFIC's functions in an Investment Mandate. This includes about such matters as strategies and policies the Board must observe, decision-making criteria, limits on financial assistance, and risk and return on investments. The Investment Mandate may not, however, direct the Board in relation to particular financing decisions. At the date of publishing this plan, the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018* is the operative direction.

NHFIC operates the Affordable Housing Bond Aggregator (AHBA) to provide loans to registered community housing providers (CHPs) financed by the issue of bonds on the commercial market; and the National Housing Infrastructure Facility (NHIF) to provide loans, grants and equity finance to overcome impediments to the provision of housing that is due to a lack of necessary infrastructure. We also provide grants for capacity building services to assist tier 2 and 3 CHPs with applications for NHFIC finance.



Affordable Housing Bond Aggregator

The AHBA provides low cost and longer-term loans to registered CHPs to support the provision of more social and affordable housing. AHBA loans can be used to:

- acquire or construct new housing stock
- maintain existing housing stock
- assist with working capital requirements and/or general corporate requirements
- refinance existing debts.

Mixed tenure developments may also be considered subject to lending criteria.

Community housing providers registered under a state or territory scheme are eligible to apply.

NHFIC funds AHBA loans by issuing its own bonds into the wholesale capital market. It can also use a Commonwealth line of credit for this purpose.

National Housing Infrastructure Facility

The NHIF is a \$1 billion facility that provides finance for eligible infrastructure projects that will unlock new housing supply, particularly affordable housing.

The NHIF offers concessional loans, grants and equity finance to help support critical housing-enabling infrastructure projects. This includes new or upgraded infrastructure for services such as water, sewerage, electricity, telecommunications, stormwater or transportation, and site remediation works including the removal of hazardous waste or contamination.

Eligible applicants may include:

- registered CHPs
- state or territory governments or government-owned development corporations or utility providers
- local governments or their investment corporations or utility providers
- incorporated special purpose vehicles containing at least one of the above-mentioned foundation members.

To be eligible for financing an applicant must demonstrate that without NHIF finance its project would be:

- unlikely to proceed
- likely to proceed only at a much later date, or with a lesser impact on new affordable housing.

The terms of NHIF financing are flexible with a range of concessions available to suit eligible applicants' project requirements.

3. Our purpose

To improve housing outcomes for Australians by contributing to efforts to increase the supply of housing, particularly affordable housing.

How we achieve our purpose

We aim to achieve our purpose by:

- strengthening efforts to increase the supply of housing
- encouraging investment in housing, particularly in the social or affordable housing sector
- providing finance, grants or investments that complement, leverage or support Commonwealth, state or territory activities that relate to housing
- contributing to the development of the scale, efficiency and effectiveness of the community housing sector in Australia.

4. Our values

We are guided by our core values which underpin our organisation's culture, the way we go about our work, how we interact with our stakeholders and how we deliver on our purpose.



5. Our strategic objectives



Facilitate the sustainable growth of the community housing sector across Australia



Facilitate investment to increase the supply of housing, in particular affordable housing



Strengthen stakeholder relationships that support better housing outcomes



Deliver high-performance organisation practices and outcomes



Embed a best practice governance regime

5.1 Facilitate the sustainable growth of the community housing sector across Australia

The AHBA will continue to offer low cost and longer tenor loans to community housing providers to grow the supply of affordable housing in Australia. We will increase the value of total loans, expand our construction loan portfolio, and increase our geographic coverage across Australia.

NHFIC will directly support the development of new dwellings by using the line of credit borrowing capacity to provide construction funding. The flexibility of the line of credit will enable CHPs to make progressive drawdowns through the construction phase of a project prior to take-out finance at completion and financing of the loan through a bond issuance.

We envisage becoming a preferred lender to the community housing sector. We will also continue to explore opportunities to work with financial institutions to support the sector.

In 2019–20, we will roll out the Capacity Building Program providing grants to assist tier 2 and 3 community housing providers with the upfront finance and business planning work required to support a NHFIC loan application. This will broaden the range of CHPs successfully accessing NHFIC finance.

We will continue leveraging the relationships we have across all levels of government to facilitate better outcomes and increase collaboration to invest in affordable housing. We are working to become a catalyst for stronger relationships between the community housing sector and governments.



5.2 Facilitate investment to increase the supply of housing, in particular affordable housing

By taking advantage of our ability to access a line of credit from the Commonwealth, as well as the ability to issue bonds guaranteed by the Australian Government, we seek to develop a strong market position by passing on those benefits to CHPs through low-cost finance with longer tenors.

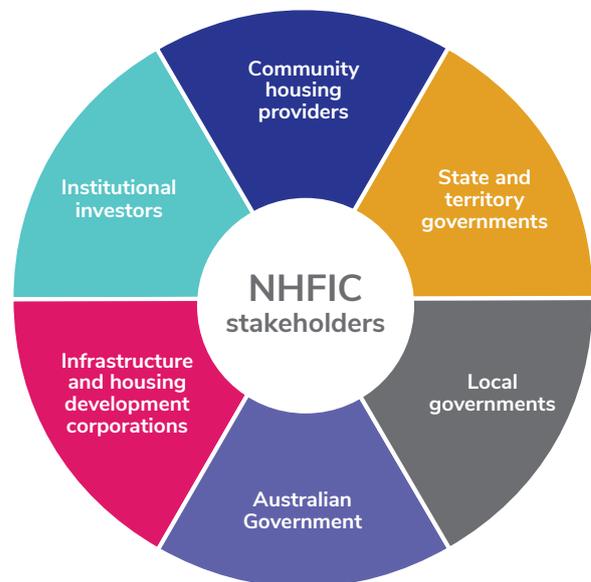
NHFIC's first \$315 million bond issuance in March 2019 was a significant milestone towards building a new investment asset class for affordable housing in Australia. NHFIC will build on the exceptional level of investor demand for its debut issue with further bond issuances expected in 2019–20.

We use the NHIF to alleviate infrastructure constraints that are hampering the development of affordable housing. We will fund infrastructure projects that support new housing developments.

We will facilitate opportunities for private sector partnerships with CHPs which increase the supply of affordable housing.

5.3 Strengthen stakeholder relationships that support better housing outcomes

NHFIC operates in a dynamic and complex environment where gaining the cooperation and support of numerous stakeholders is vital. In 2019–20, we will strengthen and expand our stakeholder network developing cooperative, honest and transparent relationships to improve housing outcomes for Australians.



We will work to deepen the understanding of all stakeholders of the value NHFIC provides and our purpose and activities, building on our reputation as a key industry partner in accelerating increased investment in affordable housing. We will actively contribute to industry discussion and debate on housing affordability.

We will seek to further optimise our service, knowledge and responsiveness to the community housing sector, with an increased focus on engaging mid to lower tier community housing providers.

We will continue to engage and cooperate with state, territory and local governments to explain our purpose, identifying common interests and coordinating our activities.

5.4 Deliver high-performance organisation practices and outcomes

In 2019–20 we will continue to lend responsively, applying commercial discipline to our financing decisions and managing risk through our best practice risk management framework.

We will refine loan assessment processes that promote ethical and responsible lending. NHFIC has established a Social Bond Framework which aligns with the United Nations Sustainability Development Goals.

We will ensure we are agile in anticipating and responding to changes in legislation and market conditions.

We will expand our internal capabilities by recruiting highly committed, experienced people into our organisation and developing an organisational culture in which they can thrive. We will continue to leverage corporate expertise from Export Finance Australia where most appropriate.

NHFIC will ensure its financial sustainability, limiting operating costs to an appropriate level and working towards full recovery of operating costs from 2021–22.

5.5 Embed a best practice governance regime

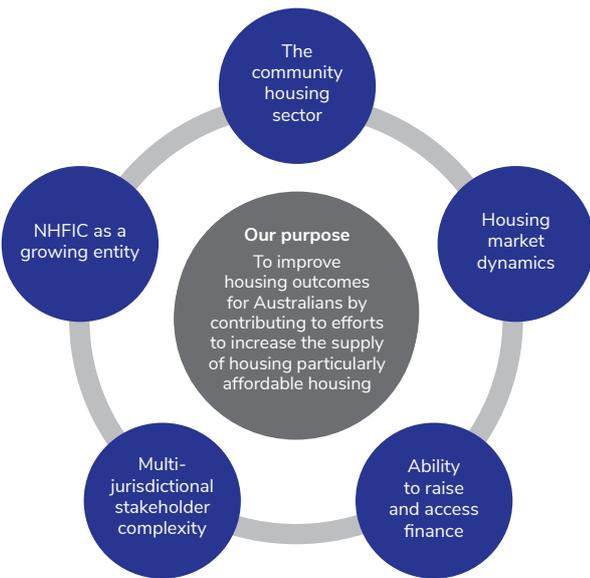
We have established best practice governance arrangements, with our policies and procedures guided by our legislation, Investment Mandate and corporate values.

In 2019–20, the governance framework will be reviewed to ensure continued best practice and compliance with legislative changes. We will enhance elements as necessary, gaining guidance from external reviews and monitoring common market messages on culture and governance.

6. Operating environment

In this section we describe some of the key factors in our operating environment and how we will monitor and respond to risks and opportunities.

Housing is a complex issue, with many economic and social trends affecting demand and supply. Five key factors influence our operating environment and our ability to deliver our purpose.



6.1 The community housing sector

One of our key activities is the provision of low cost, longer term finance to the community housing sector through the AHBA, allowing CHPs to deliver services more efficiently or to more clients.

Under our Investment Mandate we make loans to registered community housing providers. More than 350 registered community housing providers are located across Australia. They vary significantly in their size and structure.

The community housing sector receives significant support from all levels of government. Evolutions in government policy therefore have a significant impact on the sector.

The health and vitality of the community housing sector will contribute to our ability to improve housing outcomes. We are engaging with the community housing sector to understand their challenges and to tailor our lending practices appropriately.

6.2 Housing market dynamics

Australia's housing market is not homogeneous. Differences exist in market trends across states, between urban and regional areas and different housing types. These trends impact on the availability of social and affordable housing, both for rental and acquisition.

Market trends over the next four years will affect the demand for NHFIC finance and therefore have a significant impact on our ability to meet our objectives. They also have the potential to affect the value of our investments.

We will monitor market trends over the period of this corporate plan, identify opportunities and respond to challenges.

6.3 Ability to raise and access finance

Through the AHBA we make loans to registered community housing providers using, in part, funds raised on the commercial market. Economic and market factors have a significant impact on the scale of capital availability and its price. These factors, in turn, have an influence on the number, size and price of loans we are able to offer community housing providers.

We also operate in a competitive investment market. Investor demand for our bonds will be influenced by market conditions, including pricing and the social outcomes being financed. Our offerings must be attractive for NHFIC to succeed.

We will actively engage in commercial markets in pursuit of our objectives.

**Loans are
available through
the AHBA
to registered
community
housing
providers**



6.4 Multi-jurisdictional stakeholder complexity

The development of housing and related infrastructure engages a wide range of stakeholders. For example, the success of NHFIC-funded projects will be dependent on successful compliance with Australian Government, state and territory government and local government regulations. Furthermore, development activities will need to win the support of their host communities to contribute to improved housing outcomes.

The policies of state and territory governments may also have a significant impact on the health and vitality of the community housing sector. Policies may impact on the amount of other funding available for community housing.

In addition, tripartite agreements and security arrangements need to be developed and agreed, which may be particularly complex for some NHIF projects with multiple project proponents.

7. Measuring our performance

Our 2019–20 annual performance statements will report on our achievements against our purpose.

We are working towards our purpose through delivering the AHBA and the NHIF and by establishing ourselves as a high-performance organisation guided by best practice governance.



Performance Areas	Performance Objectives	Targets 2019–20	2020–21	2021–22	2022–23
Facilitate sustainable growth of CHP sector	AHBA loan facility established and functioning well with appropriate geographic coverage	Expand offering under loan facility in terms of dollar value, types of lending (e.g. construction finance), range of CHPs and geographic coverage across Australia.	Expand offering under loan facility in terms of dollar value, types of lending (e.g. construction finance), range of CHPs and geographic coverage across Australia.		
	Total NHFIC loan portfolio valued at \$1.5b–\$2b by 2022–23	\$330m–\$530m	\$200m–\$400m	\$200m–\$450m	\$200m–\$450m
	Regular bond issuance program established	Continue to implement the products to establish and support the bond facility.	Issue bonds to support ABHA loan facility with a mix of tenors.		
	Total dollar value of issued bonds valued at \$900m–\$1.2b by 2022–23	\$250m–\$350m	\$100m–\$200m	\$100m–\$200m	\$100m–\$200m
	Total dollar value of line of credit used at \$200m–\$500m by 2022–23	\$50m–\$100m	\$50m–\$100m	\$50m–\$100m	\$50m–\$100m
Increase the capacity of the CHP sector to successfully apply for loans	Continue to issue grants for capacity building services through the Capacity Building Program to 2020, supporting tier 2 and 3 CHPs to access NHFIC finance.				
Facilitate increase in housing supply	Accelerate infrastructure development	Deliver first NHIF infrastructure loans and grants.	Expand the NHIF roll-out to finance infrastructure projects across Australia.		
	NHIF loan and grant facilities committed	\$20m–\$80m	\$200m–\$450m	\$200m–\$450m	\$50m–\$150m

Performance Areas	Performance Objectives	Targets 2019–20	2020–21	2021–22	2022–23
Stakeholder relationships	Good working relations with state and territory registrars	Implement protocols with each registrar nationally.	Embed implementation of review protocols and enhance as the business matures.		
	Raised awareness of NHFIC value	Conduct communication and stakeholder engagement activity. Ensure NHFIC website is easy to navigate for a diverse range of stakeholders.	Continue to build on NHFIC's profile and reputation with clients and stakeholders, leading to increased investment in affordable housing.		
High-performance organisation	Highly experienced and skilled workforce	Continue to recruit workforce with appropriate expertise to enable NHFIC to deliver its functions.	Improve annual client and stakeholder satisfaction survey results year-on-year.		
	Adequate systems, policies, governance and management oversight	Monitor systems, policies and practices to demonstrate that NHFIC complies with legislative obligations.	Monitor systems, policies and practices to demonstrate that NHFIC complies with legislative obligations.		
	Financial sustainability	Ensure operating expenses per annum are within annual appropriation provided by government from 2018–19 to 2020–21. Achieve benchmark return to cover operating costs from 2021–22 and build an adequate capital reserve in accordance with legislation. Maintain the minimum target value of the permanent fund associated with the NHIF.			
Governance	Best practice governance	Strengthen governance arrangements in place.	Receive positive feedback on governance arrangements from the statutory review of NHFIC.		

Risks to performance

We work in a dynamic operating environment. Our ability to achieve our performance targets depends on a number of factors, including but not limited to:

- the health and vitality of the community housing sector
- trends in the Australian housing market
- the policies of other levels of government
- our ability to raise and access finance on capital markets
- our ability to cover operating costs through investment returns.

8. Capability

We are heavily reliant on our people, supported by our systems and processes, to deliver on our purpose.

8.1 People and culture

We are committed to operating as a high-performance organisation where our people are empowered and supported in the delivery of our mission to improve housing outcomes. We encourage our people to collaborate effectively, be agile and open to new ideas, and to value diversity.

We continue to grow our internal capabilities by recruiting highly motivated and experienced talent and, when required, supporting this by engaging external expertise and specialist subject matter experts. We will also continue to access corporate expertise from Export Finance Australia to support our operations.

We are committed to building collaborative teams, creating solutions together to drive optimal results. Our values inform our recruitment and engagement processes and the development of our policies.

8.2 Systems and processes

We are committed to establishing systems and processes that support informed decision making and complement internal controls. While we continue to establish ourselves as a stand-alone organisation, we are using a number of Export Finance Australia corporate systems.

As NHFIC transitions into a 'business-as-usual' phase we will continue to evaluate our system and process requirements and put appropriate arrangements in place.

8.3 Client focus

We deliver on our purpose by enabling our partners to increase the supply of social and affordable housing. For this reason, developing a client sector focus and investing in strong stakeholder relations is essential for our success. In 2019–20, we will continue to focus on understanding our stakeholders' challenges and work with them in partnership to drive optimal outcomes.

8.4 Financial products

If we are to continue to be a preferred lender to the community housing sector, our financial products must be tailored to our clients' needs.

As we develop investment strategies and financial products, we will keep the needs of our clients at the forefront. We need to ensure we are agile in anticipating and responding to changes in legislation and market conditions.

9. Risk oversight and management

The NHFIC Board is ultimately responsible for the overall performance of the business, including oversight of risk management.

9.1 Risk oversight

The Board has developed a Risk Management Framework which sets out the core principles and types of risks that NHFIC faces and forms the basis on which a Risk Appetite Statement and Risk Control Matrix (RCM) have been established.

NHFIC's approach to risk management and capital management is based around assessing the level of, and appetite for, risk and ensuring that the level of capital is appropriate to that risk profile.

To assist in risk oversight, the Board has established an Audit and Risk Committee, a Bond Issuance Due Diligence and Management Committee and a Credit Committee.

9.2 Risk Appetite Statement

The Risk Appetite Statement sets the boundaries for the risks NHFIC may accept to achieve its objectives within established risk policies, risk tolerances and operational limits set by the Board, our legislation, our Investment Mandate and the PGPA Act.

9.3 Risk Control Matrix

The RCM identifies mitigating controls, reporting arrangements and early warning signals. This enables management to form a view of residual risks and communicate these to the NHFIC Board. By assigning responsibility to individuals as risk owners, the RCM is intended to engender a culture of risk awareness and accountability.

Management will formally review the RCM on an annual basis. Management will also review the RCM when preparing updates to this plan, with a specific focus on new risks that may impact on performance objectives of the corporate plan.

