



National Housing Finance and Investment Corporation

Corporate Plan 2018-19



Australian Government

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 2018-19 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 2018-19.

The reporting periods covered by this corporate plan are 2018-19 to 2021-22.

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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 the NHFIC's 2018-19 Corporate Plan (Plan).

Following the passage of the *National Housing Finance and Investment Corporation Act 2018* in June 2018, the NHFIC has been focussed on establishing its operations and progressing initial financing transactions to support the Australian housing sector.

The NHFIC's establishment is well advanced and progressing smoothly, with the recruitment of key personnel supplemented by the selective use of external expertise, including back-office support provided by the Export Finance and Insurance Corporation. We have also implemented key credit, risk and other governance frameworks to ensure sound decision making practices, including the establishment of an Audit and Risk Committee, Credit Committee and a Bond Issue Due Diligence and Management Committee.

There has been strong interest in the NHFIC's two key financing functions, the Affordable Housing Bond Aggregator and the National Housing Infrastructure Facility. The initial focus of the AHBA has been on refinancing and take-out transactions, with construction finance being added in 2019. We have been working closely with the community house sector and other parts of government that have an interest in housing. We are also considering opportunities to partner with private finance providers and have engaged in discussions with stakeholders regarding potential infrastructure financing in respect of which the NHFIC is also in active consultation with the States and Territories.

Finally, NHFIC's website, www.NHFIC.gov.au, is operational and I would encourage interested stakeholders to visit the website to gain access information regarding the affordable housing bond aggregator (AHBA) and the National Housing Infrastructure Facility (NHIF), including Expression of Interest forms.

Brendan Crotty

Chair, NHFIC

2 ABOUT THE NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION

As part of the 2017-18 Budget, the Australian Government established the NHFIC. This was in recognition that greater private and institutional investment is needed to expand the community housing sector and provide more Australians with access to affordable rental housing.

The NHFIC operates the AHBA to provide lower cost and longer-term finance for community housing providers by aggregating their borrowing requirements and issuing bonds into the wholesale market at a lower cost and longer-term than traditional bank finance.

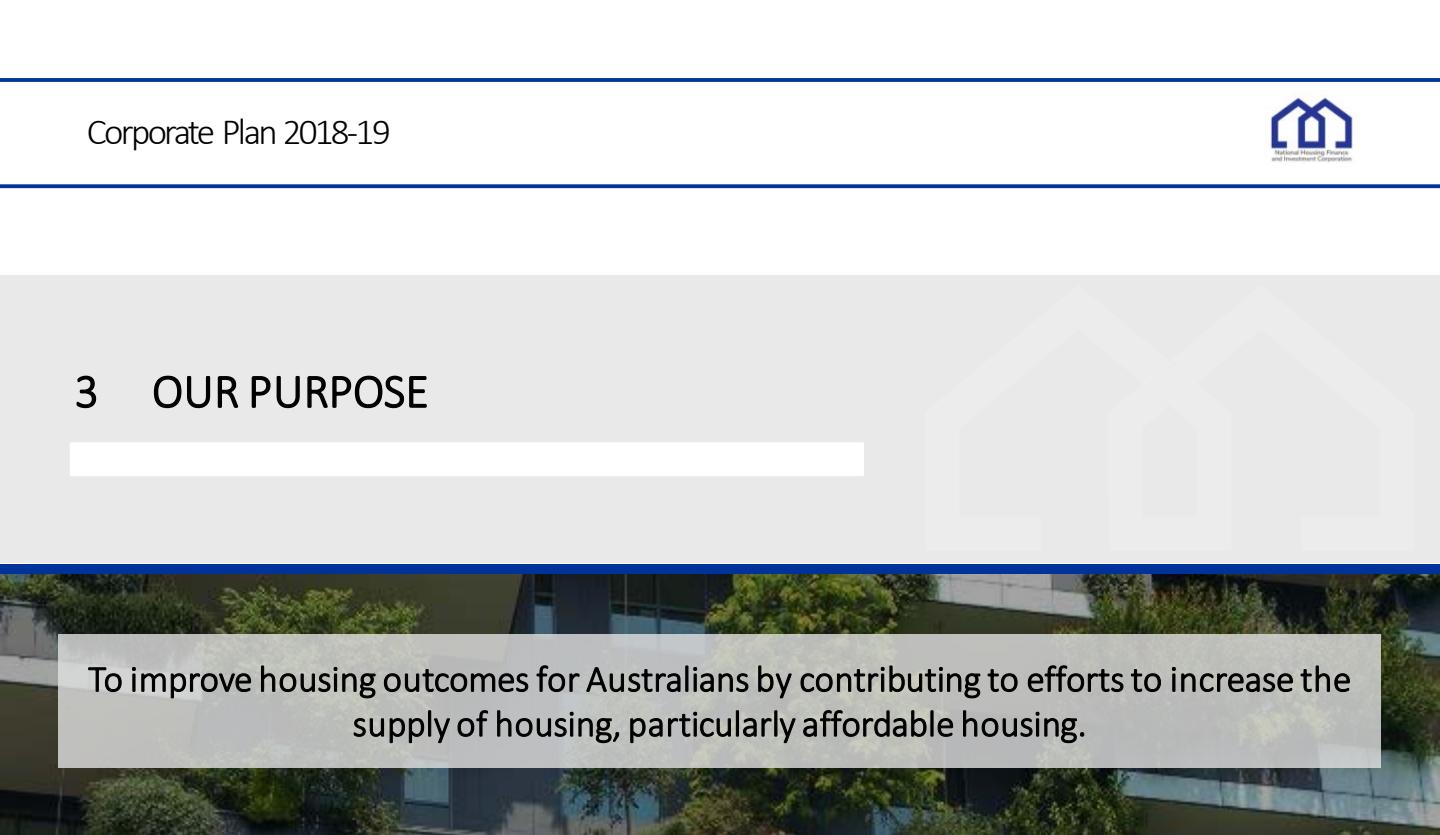
The benefits of accessing finance more efficiently will allow community housing providers to reinvest into expanding the supply of affordable housing. This will help to improve outcomes for social housing and homelessness.

The NHFIC also administers the \$1 billion NHIF. The NHIF will provide \$1 billion to support local governments through a range of options to finance critical infrastructure such as:

- transport links;
- power and water infrastructure; and
- site remediation works.

The NHIF will help local governments address infrastructure bottlenecks that impede development and build the infrastructure needed to speed up the supply of new housing.

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

The ways in which we aim to achieve our purpose are to:

- encourage investment in housing (particularly in the affordable housing sector)
- provide loans, grants and investments that complement, leverage or support Commonwealth, state or territory activities relating to housing
- contribute to the development of the scale, efficiency and effectiveness of the community housing sector.

We pursue our purpose through our key activities described in our Investment Mandate as issued by the Treasurer (the National Housing Finance and Investment Corporation Investment Mandate Direction 2018).

3.1 Affordable Housing Bond Aggregator

The AHBA aims to provide cheaper and longer-term secured loan finance for community housing providers (CHPs) by issuing bonds in capital markets.

3.2 National Housing Infrastructure Facility

The NHIF provides concessional loans, grants and equity investments to eligible housing-related critical infrastructure projects that would not otherwise have proceeded, or that would only have proceeded at a much later date or with a lesser impact on new affordable housing.

3.3 Capacity building activities

Capacity building services are available to assist registered CHPs to develop their financial and management capability and undertake new developments.

4 OUR VALUES

NHFIC is 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 deliver on our mission.

Commitment	We are committed to supporting the provision of affordable housing for Australians in an ethical and sustainable manner.
Accountability	We take responsibility for our performance, and operate within a governance framework based on transparency and accountability. We seek to have an open, constructive and transparent relationship with our stakeholders.
Collaboration	We collaborate and consult with our key stakeholders to ensure we provide an optimal service; we streamline financing arrangements and achieve our purpose.
Performance	We aim to be a high performance organisation that lends responsibly, applies commercial discipline to our financing decisions and manages risk through our best practice risk management framework. We strive to provide value for money in everything we do.
Integrity	We adhere to the highest ethical standards. Through trust, respect and accountability, we add value for our customers.
Innovation	We are open to new ideas and revising our business practices.
Empowerment	We encourage and support our people to make informed decisions.
Respect	We respect each other and value diverse experience and expertise.
Teamwork	We proactively support staff development, individual and team achievements and work-life balance.

5 OUR STRATEGIC OBJECTIVES

OUR
STRATEGIC
OBJECTIVES
ARE:

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

Facilitate the sustainable growth of the community housing sector across Australia

Build strong stakeholder relationships that support better housing outcomes

Become a high-performance organisation

Establish a best practice governance regime

5.1 Facilitate investment and increase the supply of housing, and 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.

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

We use the NHIF to alleviate infrastructure constraints that are hampering the development of affordable housing.

In 2018-19 we are focussing on designing and implementing investment arrangements through the AHBA and NHIF.

5 OUR STRATEGIC OBJECTIVES

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

The AHBA will offer community housing providers finance on more favourable terms compared with the commercial market. We envisage becoming a preferred lender to the sector.

We are putting arrangements in place to begin making loans under the AHBA and anticipate the first transactions being formalised during 2018-19.

We are also making plans to build the capacity of community housing providers who would not currently meet the funding requirements specified by our Investment Mandate.

We are 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.

5.3 Build strong stakeholder relationships that support better housing outcomes

Improving housing outcomes for Australians requires the cooperation of numerous stakeholders.

In 2018-19 we are working to establish cooperative, honest and transparent relationships with our stakeholders.

We are working towards optimising our service, knowledge and responsiveness to the CHP sector.

We are engaging and cooperating with state, territory and local governments to explain our purpose and activities. We are identifying common interests and aim to coordinate our activities.

As our organisation matures we will build stakeholder confidence by operating professionally and delivering on our purpose.

5 OUR STRATEGIC OBJECTIVES

5.4 Become a high-performance organisation

We have been established to address a crucial social challenge in a dynamic and complex environment.

In 2018-19 we are:

- Establishing and maintaining clear lines of communication with our stakeholder base;
- Developing loan assessment processes that promote ethical and responsible lending; and
- Recruiting highly-committed, experienced people into our organisation and developing an organisational culture in which they can thrive.

We will limit operating costs to an appropriate level and work towards full recovery of operating costs from 2021-22.

5.5 Establish a best practice governance regime

As a significant investment organisation we must establish best-practice governance arrangements. Doing so is critical to gaining the support of our stakeholders and building our credibility in the market.

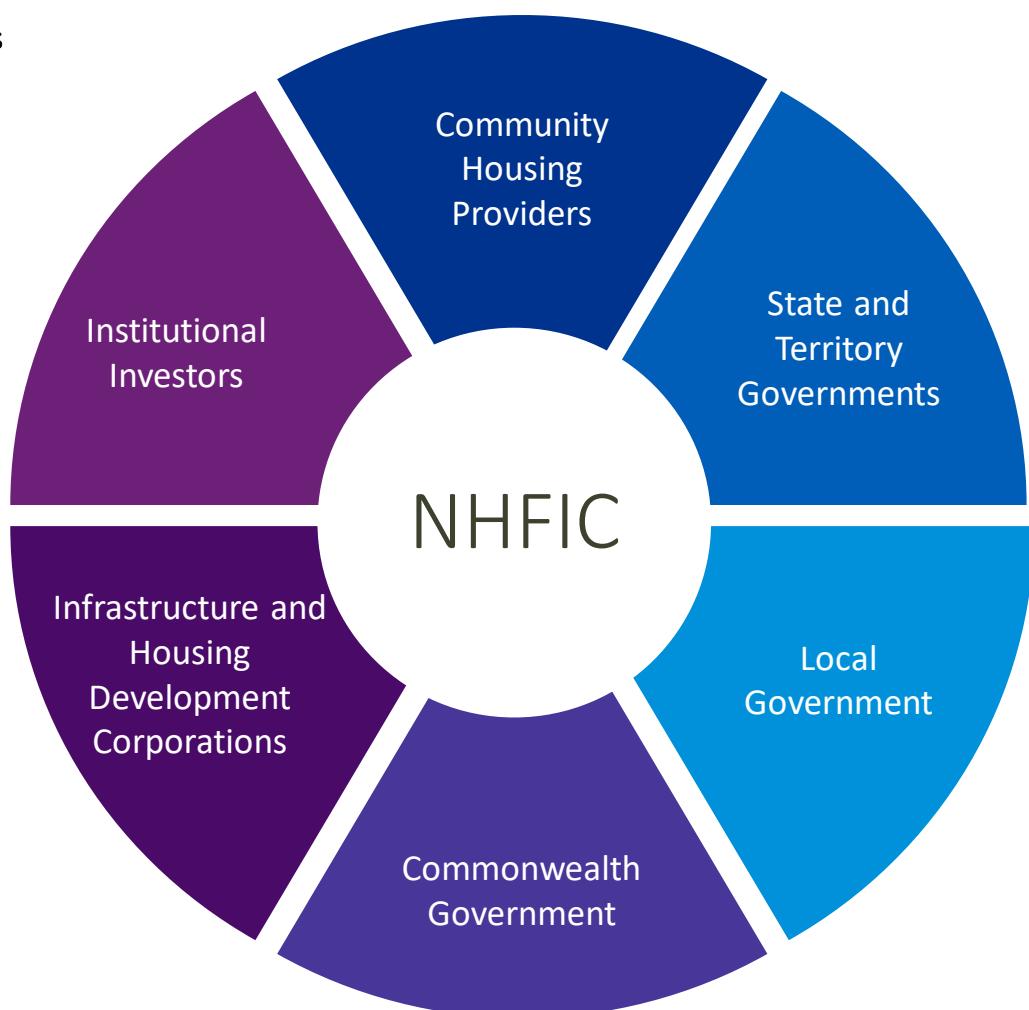
In 2018-19 we are defining the critical elements of our governance framework. We are developing policies and procedures including those that will guide financial management and control.

Our policies and procedures are guided by our values and by our legislation and investment mandate.

6 STAKEHOLDERS

NHFIC will work with a range of stakeholders to achieve its objectives.

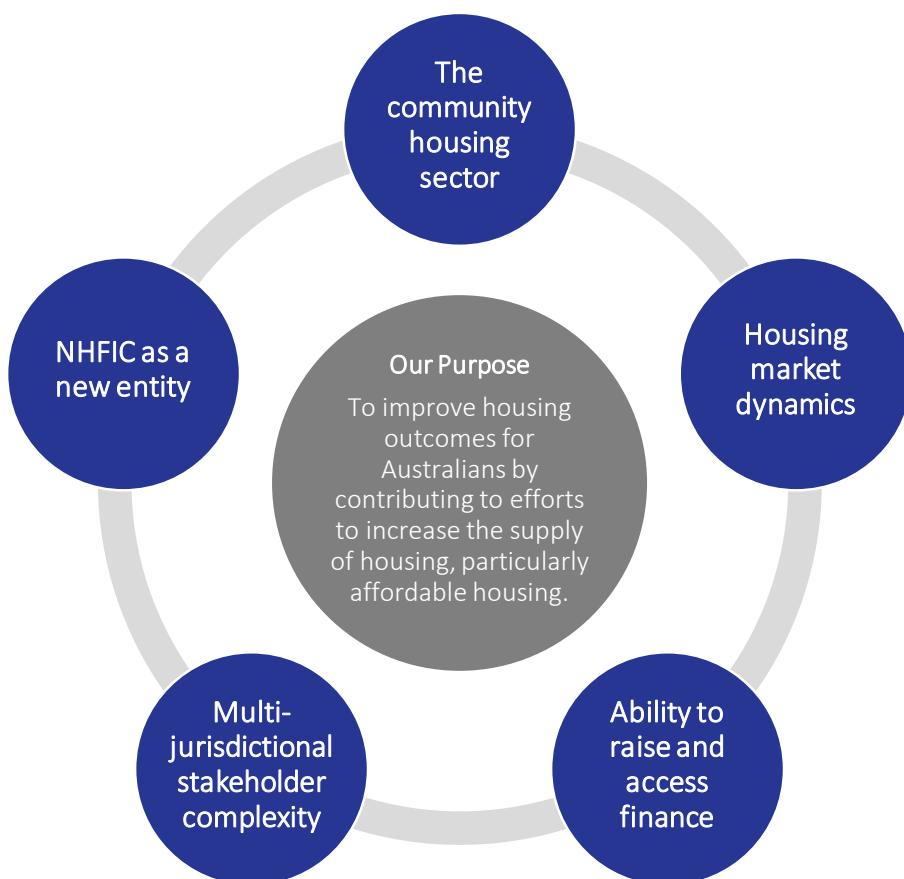
We recognise that our business will be required to evolve to continue to meet the needs of stakeholders. Our stakeholders are diverse, ranging from all levels of government to commercial entities and community organisations.



7 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 of housing.



7 OPERATING ENVIRONMENT

7.1 The community housing sector

One of our key activities is the provision of finance through the AHBA to the community housing sector on more favourable terms compared to the commercial market, allowing CHPs to deliver services more efficiently or to more clients.

Under our Investment Mandate we will make loans to registered community housing providers. There are over 300 registered community housing providers 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.

7.2 Housing market dynamics

Australia's housing market is not homogeneous. There are significant differences in market trends across states, between urban and regional areas and different housing types. These trends impact the availability of social and affordable housing – both for rental and for purchase.

Market trends over the next four years will affect the demand for the 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.

7 OPERATING ENVIRONMENT

7.3 Ability to raise and access finance

Through the AHBA we will 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 will, 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. Our investment products must be competitive for the NHFIC to succeed.

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

7.4 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 Commonwealth, state/territory and local government regulation. 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 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 where there may be multiple project proponents.

Developing relationships with stakeholders is a focus for the NHFIC in 2018-19.

7.5 The NHFIC as a new entity

The NHFIC's recent establishment is a factor that will affect our ability to deliver on our purpose. We are working to establish our corporate capability and raise awareness of our key activities in 2018-19.

8 MEASURING OUR PERFORMANCE

Our 2018-19 annual performance statements will report on our achievement against our purpose.

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

8.1 Performance measures - business strategy and performance

Performance Areas	Performance Objectives	Targets 2018-19	2019-20	2020-21	2021-22
Facilitate sustainable growth of CHP sector	AHBA loan facility established and functioning well with appropriate geographic coverage.	Develop and implement arrangements with a focus on existing projects.	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 loan portfolio valued at \$900m-\$1.25bn by 2021-22	\$200m-250m	\$250m-\$350m	\$250m-\$350m	\$200m-\$300m
	Regular AHBA bond issuance program established	Develop and implement the products to establish and support the bond facility.	Issue bonds to support the loan facility with a mix of tenors.		
	Total dollar value of bonds issued by AHBA valued at \$500m-\$800m by 2021-22 (noting that the NHFIC can also draw funds from a line of credit)	Nil	\$100m-\$200m	\$200m-\$300m	\$200m-\$300m
	Increase the capacity of the CHP sector to successfully apply for loans	Establish the Capacity Building Program.	Continue building capacity through grants that facilitate focussed assistance through to 2020.		

8 MEASURING OUR PERFORMANCE

8.1 Performance measures - business strategy and performance (continued)

Performance Areas	Performance Objectives	Targets 2018-19	2019-20	2020-21	2021-22
Facilitate increase in housing supply	Accelerate infrastructure development	Develop policies and procedures to implement the NHIF.	Expansion of the NHIF roll-out to finance infrastructure projects across Australia.		
	Blended NHIF Finance \$800m in blended finance deals over four years.	The first NHIF loan facility signed.	\$100m - \$200m	\$150m - \$250m	\$100m - \$250m
Stakeholder relationships	Good working relations with State and Territory Registrars	Protocols established with each Registrar nationally.	Embed implementation of review protocols and update (as necessary) as business matures.		
	Raised awareness of the NHFIC value	Significant communication and stakeholder engagement activity. The NHFIC website is easy to navigate for stakeholders.	Continue to build on the NHFIC's profile and reputation with clients and stakeholders, leading to increased investment in affordable housing.		

Risks to performance

We work in a dynamic operating environment. Our successful achievement of our intended performance will be subject to a number of risks relating to:

- The health and vitality of the community housing sector
- Trends in the Australian housing market
- Our ability to raise and access finance on capital markets
- The policies of other levels of government

8 MEASURING OUR PERFORMANCE

8.2 Performance measures - corporate establishment and ongoing performance

Performance Areas	Performance Objectives	Targets 2018-19	2019-20	2020-21	2021-22
High performance organisation	Highly experienced and skilled workforce	Continue to recruit workforce with appropriate expertise to enable the NHFIC to deliver its functions.		Annual client and stakeholder satisfaction survey results which improve year-on-year.	
	Adequate systems, policies, governance and management oversight	Develop and implement systems, policies and procedures which are fit-for-purpose.	Monitor and test systems, policies and practices to demonstrate that the NHFIC complies with legislative obligations.		Update (as necessary) as business matures.
	Financial sustainability	Operating expenses per annum are within annual appropriation provided by government from 2018-19 to 2020-21. Achievement of 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	Establishment of fit-for-purpose frameworks to meet legislative obligations.	Appropriate governance arrangements are in place, and complied with.	Positive feedback on governance arrangements from the statutory review of the NHFIC.	

Risks to performance

Successful corporate establishment will be subject to a number of risks relating to:

- Our ability to win the support and confidence of stakeholders
- Our ability to attract skilled and experienced people
- Our ability to cover operating costs through the investment returns

9 CAPABILITY

As a newer established entity, we are heavily reliant on our people, supported by our systems and process, to deliver on our purpose.

9.1 People and culture

As a new organisation, engaging skilled and experienced people is an immediate priority. But we are also committed to operating as a high-performance organisation from day one. For this reason we have put arrangements in place to access corporate expertise from the Export Finance and Insurance Corporation (Efic). We also engage specialist subject-matter expertise when we require it.

The Board has given consideration to the values which guide our activities. We present our values in this corporate plan (see Section 4). Our values inform our recruitment and engagement processes and the development of our policies.

9.2 Systems and processes

As a significant investment organisation we are committed to establishing systems and processes that support informed decision making and complement internal controls. While we establish ourselves as an organisation we are utilising a number of Efic's corporate systems.

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

9 CAPABILITY

9.3 Client focus

We deliver on our purpose by enabling our partners to increase the supply of affordable housing. For this reason, developing a client sector focus is essential for our success.

Building strong stakeholder relationships is one of our key strategic objectives for 2018-19.

9.4 Financial products

If we are to become 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.

10 RISK OVERSIGHT AND MANAGEMENT

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

10.1 Risk oversight

The Board has developed a Risk Management Framework which sets out the core principles and the types of risks that the NHFIC faces, and forms the basis on which a Risk Appetite Statement (RAS) and risk assessment are prepared. It also sets out the responsibilities in respect of risk management within the NHFIC.

The 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.

As a newly established entity, our Risk Management Framework will be proactively monitored and updated to reflect the development of our business over the first 12 months of the NHFIC's establishment.

10.2 Risk appetite

The Board has also begun drafting a RAS.

A clear statement of risk appetite gives stakeholders (community housing providers, government, staff and the public) an indication of how the NHFIC's AHBA and NHIF financing facilities operate from a risk taking perspective and the type of risk culture that the NHFIC encourages.

The RAS sets the boundaries for the risks that the NHFIC may accept in order to achieve its objectives within established risk policies, risk tolerances and operational limits set by the Board, our legislation, our Investment Mandate and the *Public Governance, Performance and Accountability Act 2013*.

10 RISK OVERSIGHT AND MANAGEMENT

10.3 Risk assessment

We have begun the process of identifying the key risks we expect to face in the first 12 months of our establishment. We are documenting these risks in a Risk Control Matrix (RCM) which will list the responsible risk owner and contain an assessment regarding the likelihood and consequence of each risk.

The RCM will identify mitigating controls, reporting arrangements and early warning signals. This will enable management to form a view of the residual risk, and communicate those risks 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 a bi-annual basis. Management will also review the RCM when preparing the corporate plan, with a specific focus on new risks that may impact performance objectives of the Plan, especially over the first 12 month period.