



Australian Government



NHFIC

National Housing Finance
and Investment Corporation



National Housing Finance
and Investment Corporation
Corporate Plan 2021–22

Requests for more information and enquiries should be addressed to:

National Housing Finance and Investment Corporation
Chief of Staff
Export House
22 Pitt Street
Sydney NSW 2000
Telephone: 1800 549 767
Email: inquiries@nhfic.gov.au

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ABN: 22 498 714 570

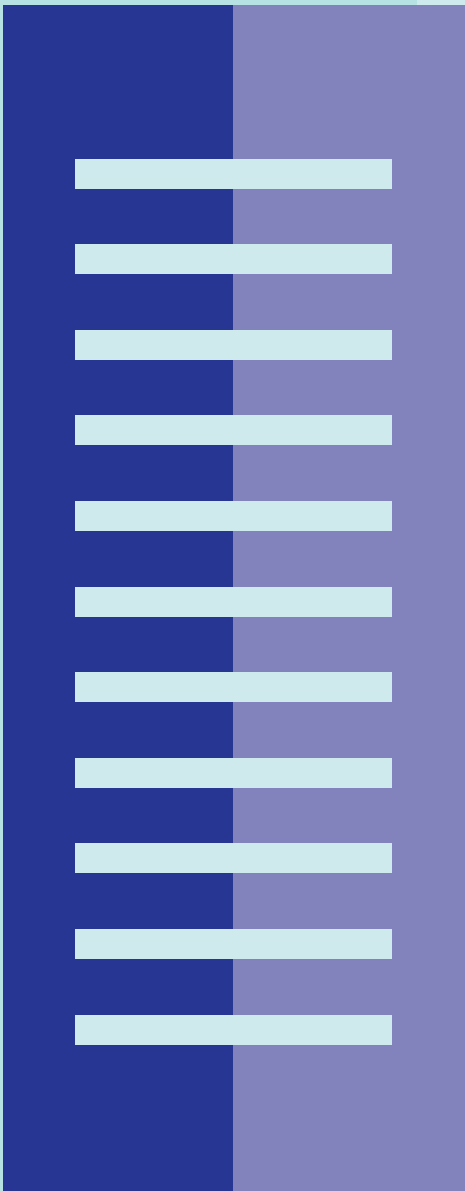
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The corporate plan is a Commonwealth entity requirement under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The 2021–22 Corporate Plan is prepared in accordance with PGPA Rule 2014 and will be acquitted in the annual performance statements published in the National Housing Finance and Investment Corporation Annual Report 2021–22.

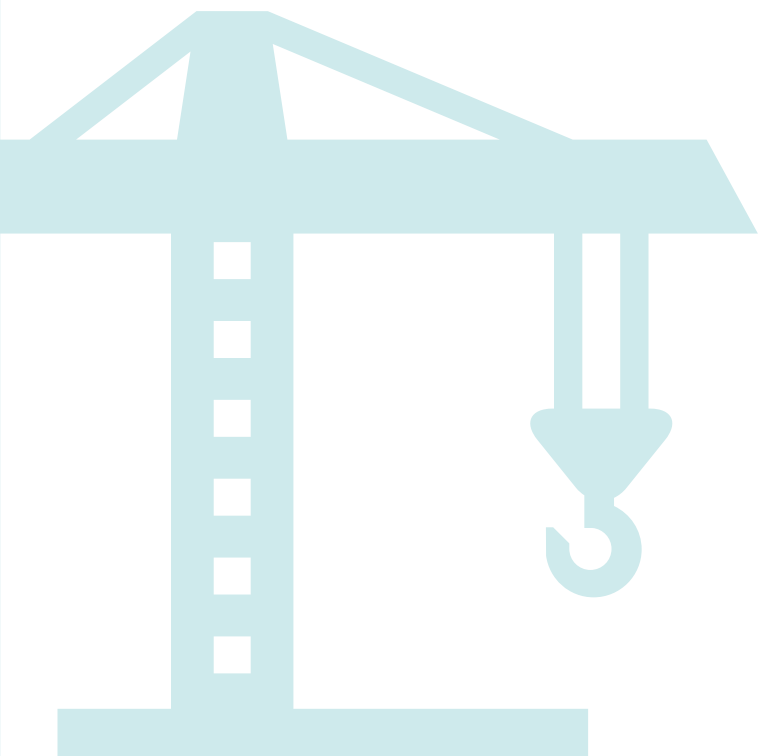
The reporting periods covered by this corporate plan are 2021–22 to 2024–25.

An online version of this report is available on the NHFIC website: nhfic.gov.au/our-organisation/reporting-and-disclosures/



Contents

Message from the Chair	3
Our purpose	5
Our activities	7
Our operating context	10
Environment	10
Capability	12
Risk management	14
Cooperation	18
Our performance	19
Appendix A: Performance reporting framework	27
Appendix B: Compliance with PGPA Rule 2014	28
Glossary	29







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 2021–22 Corporate Plan (**Plan**).

The Plan covers the four-year period from 2021–22 to 2024–25, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (**PGPA Act**).



Adrian Harrington
Chair
National Housing Finance and Investment Corporation

Our purpose
is to improve
housing outcomes
for Australians



Our purpose



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NHFIC is governed by the NHFIC Act and the Investment Mandate made by the responsible Minister

NHFIC was established by the Australian Government to improve housing outcomes for Australians 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 relating to housing
- contributing to the development of the scale, efficiency and effectiveness of the community housing sector in Australia
- assisting earlier access to the housing market by first home buyers and by single parents with dependants.

To achieve these outcomes, NHFIC is required to operate the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility (NHIF) and the First Home Loan Deposit Scheme (FHLDS) – including the New Home Guarantee (NHG) and Family Home Guarantee (FHG) schemes – and conduct research into housing affordability in Australia. It also undertakes capacity building activities for registered community housing providers (CHPs).

In performing its functions, NHFIC is governed by the requirements and constraints of the *National Housing Finance and Investment Corporation Act 2018 (NHFIC Act)* and the Investment Mandate made by the responsible Minister under section 12 of the NHFIC Act. At the date of publishing this Plan, the National Housing Finance and Investment Corporation Investment Mandate Direction 2018 (Compilation No. 3) is the operative direction (**Investment Mandate**).

NHFIC operates independently of the Government and applies commercial discipline in making financing decisions. NHFIC's Board is responsible for determining strategy, defining risk appetite and making financing decisions, and ensuring the proper, efficient and effective performance of NHFIC's functions. The Chief Executive Officer (CEO) reports to the Board and is responsible for the day-to-day administration of the organisation.

NHFIC is part of the Treasury portfolio of agencies. Its responsible Minister is the Assistant Treasurer, Minister for Housing and Minister for Homelessness, Social and Community Housing, the Hon Michael Sukkar MP (**Minister**). In November 2020, the Minister initiated a statutory review of the operation of the NHFIC Act and of NHFIC's activities assisting first home buyers as required under sections 57 and 57A of the NHFIC Act (Review). At the date of publishing this Plan, the Review report and Government response are yet to be released.



Our activities

Our purpose is to improve housing outcomes for Australians



Operation of Affordable Housing Bond Aggregator (AHBA)



Operation of National Housing Infrastructure Facility (NHIF)



Support for home buyers (FHLDS, NHG and FHG)



Research into housing affordability in Australia



Support for capacity building

NHFIC's Investment Mandate requires it to operate the AHBA, NHIF and FHLDS (including the NHG and FHG) and conduct research into housing affordability in Australia. It also provides capacity building support for registered CHPs.

These activities are intended to improve housing outcomes for Australians.

Operation of Affordable Housing Bond Aggregator

The AHBA provides loans to registered CHPs by aggregating their lending requirements and financing them primarily through the issuance of government guaranteed bonds in the commercial finance market. This allows funding to be raised at a larger scale and on different terms than could be achieved by individual CHPs. The issuance of bonds also facilitates greater private and institutional investment in the community housing sector.

The AHBA uses a 'pass-through' model to provide greater funding certainty and more affordable long-term finance to registered CHPs. The savings are passed on to providers in the form of reduced borrowing costs and refinancing risks, enabling them to expand their operations and the supply of social and affordable housing.

AHBA loans can only be provided to registered CHPs that are regulated under a relevant state or territory law or scheme. NHFIC aims to provide loans at the lowest cost and most appropriate tenor possible, after recovering operational and financing costs and building capital reserves as required by the NHFIC Act. Where appropriate, different loan products are offered to meet the varying needs of registered CHP applicants.

AHBA loans may be used to acquire or construct new housing stock, maintain existing housing stock, assist with working capital requirements and/or general corporate requirements, and/or refinance existing debts. NHFIC obtains security from registered CHPs for AHBA loans with appropriate terms and conditions approved by its Board.

To support the AHBA, the Australian Government has provided a \$1 billion line of credit that NHFIC may use to advance initial loans to registered CHPs prior to issuing bonds. The line of credit is also used to fund projects that progressively draw down ahead of issuing a bond such as construction finance. Loans financed by the line of credit are typically refinanced by NHFIC issuing a bond when a critical mass of such loans have been advanced.

Operation of National Housing Infrastructure Facility

The purpose of the NHIF is to overcome impediments to the provision of housing that are due to the lack of necessary infrastructure. It does this by providing finance in the form of loans, grants and equity investments for eligible 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.

The \$1 billion facility supports critical infrastructure projects linked to new housing supply, particularly affordable housing, whether on the site or connecting to or linking to infrastructure.

Examples of critical housing-enabling infrastructure include (but are not limited to):

- new or upgraded infrastructure for services such as water, sewerage, electricity, telecommunications, stormwater or transportation (including roads)
- site remediation works including the removal of hazardous waste or contamination.

The NHIF does not finance housing directly or community infrastructure such as parks, libraries or childcare centres. It also cannot be used for feasibility, scoping or planning studies that may lead to the later construction of infrastructure.

NHIF finance may be provided to:

- registered CHPs
- states or territories including government-owned development corporations or utility providers
- local government bodies or local government-owned investment corporations or utility providers
- special purpose vehicles that have at least one member that is an eligible recipient listed above (the underlying eligible member or members).

Under section 15 of NHFIC's Investment Mandate, up to \$175 million of the \$1 billion facility can be provided in the form of infrastructure grants and capacity building contracts (of this, a further cap of \$1.5 million applies to the amount that can be spent on capacity building). Consistent with the Investment Mandate, grant proposals which seek other forms of financing from the NHIF as part of a blended financing arrangement are preferred.

NHIF loans can be tailored to suit the needs of project proponents. These may include concessions such as longer loan tenors and lower interest rates than offered by commercial financiers, extended periods of capitalised interest and repayment holidays.

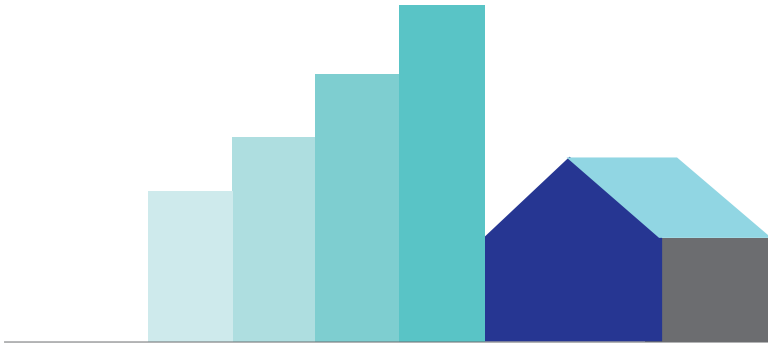
NHIF limits concessions provided under the NHIF to the minimum that it considers necessary for an eligible project to proceed or be completed in the proposed timeframe. NHFIC obtains security for NHIF loans with appropriate terms and conditions approved by its Board. State and territory applicants are not required to provide security.

NHIF must ensure that the return on NHIF loans and investments over the medium to long term is sufficient to cover the NHIF's financing and operating costs, build capital reserves and cover the Government's borrowing costs (the benchmark rate of return).

Support for home buyers (FHLDS, NHG and FHG)

The FHLDS facilitates first home buyers entering into the housing market sooner. Under the Scheme, eligible first home buyers can purchase a home with a deposit of as little as 5 per cent without having to pay for lenders mortgage insurance. This is because the Commonwealth, through NHFIC, provides a guarantee to participating lenders of up to 15 per cent of the assessed value of the eligible property financed by an eligible buyer's home loan. Up to 10,000 guarantees are available each financial year under the Scheme.

In the 2020–21 Federal Budget, the Government announced an extension to the FHLDS called the New Home Guarantee (NHG) to stimulate activity in housing construction, with an additional 10,000 guarantees made available in 2020–21 specifically for first home buyers building a new home or purchasing a newly built home. The NHG was extended for a further financial year in the 2021–22 Federal Budget, with an additional 10,000 places available from 1 July 2021 to 30 June 2022.



The Government announced a new program in the 2021–22 Federal Budget called the Family Home Guarantee (FHG) to support single parents with dependants to enter or re-enter the housing market. Under the FHG, eligible single parents can build a new home or purchase an existing home with a deposit of as little as 2 per cent, regardless of whether they are a first home buyer or a previous owner-occupier (NHFIC provides a guarantee to participating lenders of up to 18 per cent of the assessed value of the eligible property). From 1 July 2021, 10,000 guarantees will be made available over four financial years.

Eligibility requirements apply to the FHLDS, NHG and FHG, including income and property price caps set by the Government.

Following a competitive procurement process, NHFIC appointed 27 residential mortgage lenders from across Australia in 2019 to the panel of participating lenders able to offer guaranteed loans. NHFIC's Investment Mandate provides that no more than two major banks can be approved as eligible lenders for a financial year.

Research into housing affordability in Australia

NHFIC conducts comprehensive research into housing demand, supply and affordability in Australia.

NHFIC's flagship report, 'State of the Nation's Housing', provides an annual snapshot of housing demand and supply across the country, with a view to identifying supply shortfalls that could over time exacerbate affordability problems. This work is complemented by NHFIC's core ongoing work program which aims to contribute applied and practically focused research. These activities create a more connected conversation between government, research and industry that helps to deliver better housing outcomes.

NHFIC's work program is supported by an expert panel of academics, industry and public policy professionals. The research work also involves engaging with a broad range of stakeholders across the housing sector to identify problems with a view to undertaking practical and relevant research, and elevating and popularising key housing issues, which helps inform the public policy debate.

Support for capacity building

NHFIC provides support for capacity building to assist registered CHPs to further develop their financial and management capabilities and undertake new developments. A cap of \$1.5 million applies to the amount that NHFIC can spend on capacity building activities. NHFIC's Investment Mandate envisages that NHFIC will enter into contracts to procure these services.

The Community Housing Industry Association (CHIA) currently administers the Capacity Building Program on NHFIC's behalf. Under the program, registered CHPs can access grants of up to \$20,000 for professional advisory services in the areas of finance, business planning, property development and risk management to support a NHFIC finance application. Eligible representative peak bodies and groups of CHPs can also apply for grants of up to \$20,000 to support sector-wide capacity building projects.

Our operating context

Environment

The COVID-19 pandemic and the pace of economic recovery continue to influence the outlook for the housing market. NHFIC's Corporate Plan reflects this uncertainty through the potential impact on NHFIC's operating environment and our ability to achieve our purpose.

Key factors that influence the Plan include:

1. performance of the community housing sector
2. housing market dynamics
3. ability to effectively raise and access finance
4. regulatory and prudential settings.

1. Performance of the community housing sector

One of NHFIC's key activities is the provision of low-cost, long-term finance to the community housing sector through the AHBA, allowing registered CHPs to deliver more housing and services to Australians most in need. More than 350 registered CHPs are located across Australia. They vary significantly in size and structure.

The community housing sector receives significant support from all levels of government, and changes in government policy have a significant impact on the sector. The policies of state and territory governments in particular may have a significant impact on the growth and vitality of the community housing sector. This includes the amount of funding made available for social and affordable housing which impacts on the viability of projects and their ability to access NHFIC financing. In addition, tripartite agreements and security arrangements need to be developed and agreed which may be particularly complex for some transactions.

The capability and vitality of the community housing sector will contribute to NHFIC's ability to improve housing outcomes. NHFIC continually engages with the sector and is tailoring its lending products and practices to ensure our support is both innovative and cost effective.





Housing is a complex sector, with many economic and social factors affecting demand and supply.

2. Housing market dynamics

Over the past year the Australian housing market has been supported by historically low interest rates and broad-based fiscal stimulus, including the Federal Government's Homebuilder program which has supported construction for detached housing.

Market conditions over the next four years will affect the demand for NHFIC finance, including through the impact on CHP revenues through market-based rents and the valuations of properties taken as security. The overall financial position of CHPs has remained resilient during the COVID-19 period.

Several government initiatives have been announced over the past 12 months across various states that have helped provide support for subsidised housing. There are indications that strong construction activity has led to some shortages of skills and materials and impacted associated construction costs, and this could affect the operating environment over the coming year.

Similarly, despite a COVID-19-affected environment the FHLDS has continued to see strong demand from first home buyers and there has also been solid interest in the NHG. These schemes have helped underpin the first home buyer market.

NHFIC will continue to monitor market trends over the period of this Plan, identify opportunities and respond to challenges as appropriate. This includes providing annual recommendations to the Federal Government on adjustments to the FHLDS property price caps as required by the NHFIC Investment Mandate.

3. Ability to effectively raise and access finance

Through the AHBA we make secured loans to registered CHPs sourced predominantly from funds raised in wholesale financial markets. Economic and market conditions have a significant impact on the terms of our finance, including its price. The pricing and tenor of our finance is critical given the relatively low but stable revenues generated by the community housing sector and the long-term nature of its housing assets.

In addition, NHFIC's ability to effectively raise finance is influenced by issues specific to our bonds including liquidity of trading and frequency of bond issuance. NHFIC continues to build a new asset class for investors focused on supporting the community housing sector as well as those focused on environmental, social and governance (ESG) aspects. NHFIC has expanded its Sustainability Bond Framework which aligns with the International Capital Market Association's (ICMA) Social Bond Principles (SBPs), Green Bond Principles (GBPs) and Sustainability Bond Guidelines (SBGs).

NHFIC has developed strong relationships with its institutional investor base through targeted roadshows and working collaboratively with the Joint Lead Managers on each bond issue. NHFIC has built a core set of repeat investors across its bond issuances and continued to broaden its domestic and international investor base by recently issuing its first sustainability bond and first floating rate note. NHFIC has now had over 60 unique institutional investors in its social and sustainable bonds. Investing in NHFIC bonds provides a unique opportunity to partner with the private sector to be part of the solution to the housing crisis faced by many Australians.

COVID-19 has made the operating environment for raising and accessing finance more uncertain.

Although recent bonds issued under the AHBA reflect favourable financial conditions that will likely continue to support new affordable housing supply over the coming year, borrowers are concerned about any market volatility. Our CHP transaction pipeline remains strong and we anticipate that the need for subsidised housing will continue to increase. However, the limited supply of some building materials may slow construction which would delay loans being drawn under the facilities we offer.

COVID-19 continues to have an impact on FHLDS, NHG and the new FHG with restricted opportunities for home buyers to view open homes and extended timelines required for valuations to be completed (due to restricted access to properties). This has caused major disruptions to the value chain for home purchasing from customer to lender and funding.

On the portfolio side (post funding), we are likely to see some increase in the delinquency on scheme-backed loans due to changed circumstances from lockdowns and the impact on borrowers' ability to service loans. This has not yet eventuated given the general time frame required for it to flow through to lenders (sometimes it takes up to 12 months for a loan to go into a forced sale situation) and we are likely to see an upward trend in arrears and claims in the coming years.

However, given FHLDS guarantees are capped at 10,000 (typically less than 10 per cent of the first home buyer pool), and despite COVID-19, we anticipate that we will continue to see strong demand from home buyers.

4. Regulatory and prudential settings

Australian financial service providers are governed by the regulatory and prudential environment in which they operate. This in turn could affect their ability to deliver finance to the housing sector.

For example, regulatory guidelines and changes made by key regulatory agencies such as the Australian Securities and Investment Commission and the Australian Prudential Regulatory Authority ultimately will have an influence on risk settings at a lender level including exposure to high loan to value ratio (LVR) home loans and impact the number of guarantees particular participating lenders take up under the FHLDS. Additionally, regulatory changes could impact on the ability of lenders to extend credit to borrowers and the amounts that first home buyers are able to access.

Capability

As we transition our operations from a start-up phase to a more mature phase, we commissioned an independent review of our operating model in 2020–21, including our people and culture and systems and processes. We will consider how to further progress the recommendations of this review during the course of 2021–22 in light of the outcomes of the statutory review of the NHFIC Act commissioned by the Minister.

Our people and culture

NHFIC is committed to operating as a high-performance organisation that empowers and supports its people. We value diverse experience, expertise and backgrounds to foster a strong organisation, deepen our problem-solving ability, innovation and success.

Our people have skills drawn from finance, legal and public policy backgrounds and are highly motivated to deliver on our purpose. Drawing on their extensive experience in government and commercial sectors, NHFIC is well positioned to respond to the challenges of the year ahead.



We rely on our people and culture, supported by our systems and processes, to deliver on our purpose.

We will continue to refine and enhance how we attract and retain the best people including reviewing our remuneration arrangements annually. We will expand our capabilities by retaining and recruiting experienced talent with the technical skills required to meet the needs of our current and future transaction pipeline.

As the business grows, we will ensure we remain agile in anticipating and responding to changes in government policy and market conditions and meeting the needs of our clients. This will require targeted recruitment to fill capability and capacity gaps against an increasingly competitive market for the skills that NHFIC needs to meet our mandate.

Our focus is also developing the technical and leadership capabilities of our people through tailored learning and development opportunities to support their growth and enable our business to grow. We will actively develop and manage talent including establishing targeted training programs for committed senior leaders and succession planning for business critical roles.

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

Our systems and processes

The COVID-19 pandemic has had a significant and profound impact on our way of working, as it has for many organisations across Australia. Our past investment in cloud-based technology means we were able to adapt quickly to remote working while continuing to deliver a high level of service and commitment to our stakeholders during this challenging time.

We will continue to embrace innovations in technology, systems and processes to help improve our service delivery to clients and support new ways of working and connecting for our people. This includes continuing to invest in cloud-based technology and our broader IT platform which provides us with greater availability of key systems and data to more efficiently service and interact with our clients. We also continually review our IT processes and systems to best practice security standards considering the increasing cyber-attack activity and our remote working practices.

We will continue to enhance our FHLDS portal with participating lenders and automate supporting processes to reduce operational risk in the ongoing management of active guarantees. We will develop and enhance our AHBA portal to provide a high quality and efficient online application process for CHPs and improve the client experience.

We will also utilise the best technologies available to our organisation to present housing data to help inform decision making and enhance our systems, practices and tools to better support the needs of our clients.

NHFIC will continue to use Export Finance Australia corporate systems under a Service Level Agreement (SLA) to support its operations and engage specialist subject matter experts as necessary. This will include enhancements to our existing CRM systems to monitor the performance of the business and maintain active portfolio management as the loan book grows.



Risk management is a critical part of how we achieve our business goals.

Risk management

Risk management is a critical part of how we achieve our business goals. We have developed a risk management framework that defines our principles, culture, policies and processes for managing risk.

Oversight of risk management

To implement its Corporate Plan NHFIC needs to engage with various risks that emerge through its operations. The appropriate engagement with risk is guided by the NHFIC Act, Investment Mandate, PGPA Act and consistent with the Risk Appetite Statement set by the Board. NHFIC has built its risk management framework around ISO 31000: Risk Management – Guidelines and to align with the Commonwealth Risk Management Policy.

NHFIC's Board is responsible for managing NHFIC's affairs including determining strategy, defining risk appetite, making financing decisions and monitoring performance. The Board has established an Audit and Risk Committee (ARC) to support risk management processes and assist in risk oversight. The Board have also established a Bond Issuance Due Diligence and Management Committee, a Research Board Reference Committee and a Remuneration Committee to assist in operational risk matters.

In recognition of NHFIC's credit risk exposure NHFIC has established a Credit Committee that is comprised of independent members (non-Board members) and NHFIC executives to provide oversight of our credit exposure. An Executive Risk Committee reviews operational risk and compliance exposures and the risk information provided to the ARC.

Our risk culture and principles guide everyday behaviour in the organisation. We strive to:

- Maintain the highest professional and ethical standards focusing on should we do it, rather than can we do it
- Align employee incentives and rewards to encourage behaviour consistent with good governance and our risk appetite
- Provide an environment where employees are empowered to the full extent of their abilities and that fosters innovation and learning within business practices
- Monitor, stress test and re-evaluate risk ensuring management information systems and risk reporting accurately reflect the underlying risk
- No tolerance of regulatory and compliance breaches.

Risk Appetite Statement

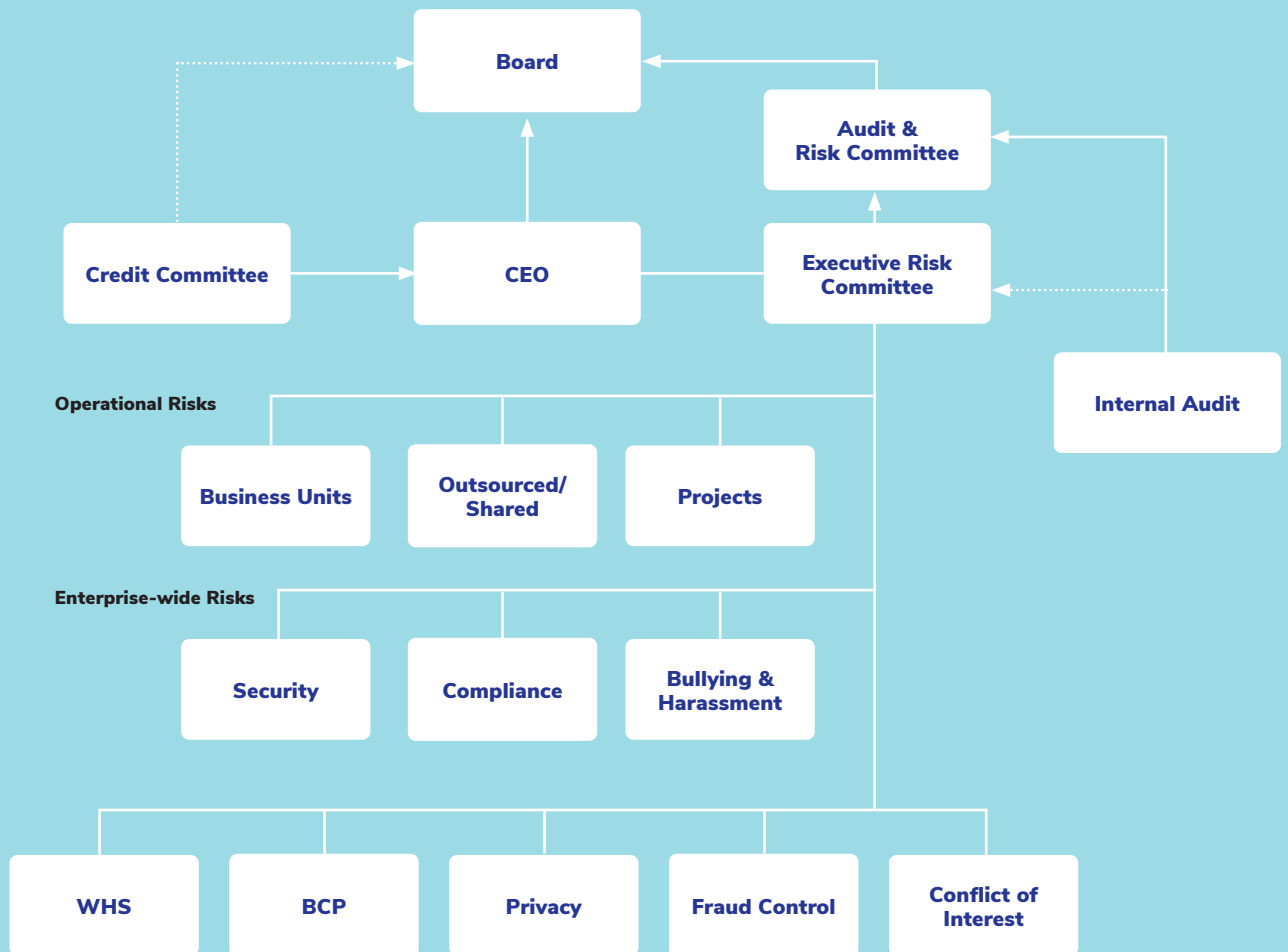
This Corporate Plan expresses NHFIC's general appetite for risk; a more specific definition of our appetite for risk is articulated in our Risk Appetite Statement which defines our risk tolerance and sets the boundaries for the risks we are willing to accept to achieve our objectives.

The Risk Appetite Statement is supported by enterprise policies and procedures that regulate NHFIC business activities in line with the risk appetite.

Our risk management framework

NHFIC's risk management framework aligns with the Commonwealth Risk Management Policy and ISO 31000. The framework recognises risks at an enterprise level and those risks facing each business activity. Business units are deeply involved in the recognition of risks associated with their operations to ensure an enhanced understanding and ownership of risk.

NHFIC Risk Reporting Framework



Key business risks

The key areas of risk potentially affecting the delivery of NHFIC's statutory obligations, outcomes and/or the achievement of strategic priorities are outlined in the following table:

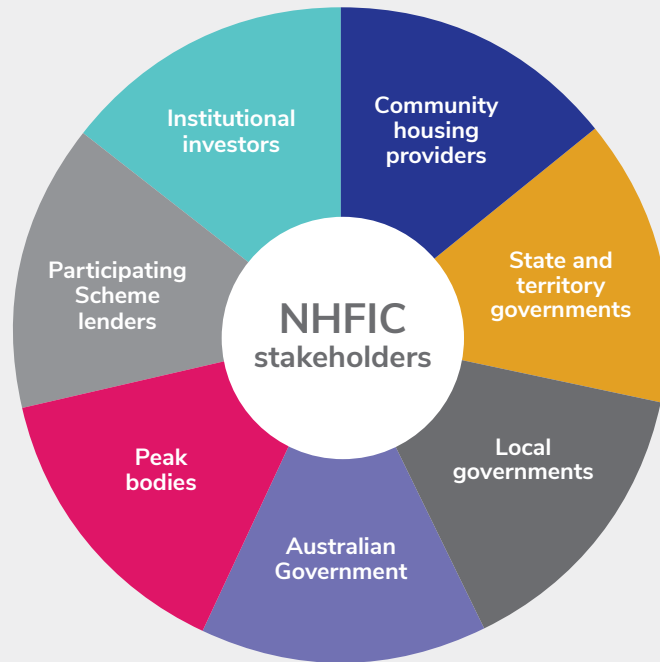
Risk and impacts/consequences	Risk responses/controls
BALANCE SHEET EXPOSURES	
<p>On balance sheet: NHFIC operates within an intricate mix of financial arrangements (Commonwealth guarantee, liability cap and limited appropriation funding), issuing bonds and financing significant, long-term loans to CHPs to provide affordable housing. The increasing complexity of exposures across the lending book, transitioning from refinancing to construction finance and engaging in public-private partnerships potentially increases financial exposures into the future.</p>	<ul style="list-style-type: none"> • Close monitoring and reporting of NHFIC's financial arrangements to the ARC and Board. • Ongoing review of external financial environment, CHP solvency and housing market developments. • External review through the Credit Committee of lending arrangements, including quality of the security taken. • Obtaining external expert advice prior to implementation of increasingly sophisticated financing arrangements. • Regular communication with the Government on liability cap and exposures.
<p>Off balance sheet: NHFIC manages the liability associated with the FHLDS, NHG and FHG. The security of the Commonwealth guarantee is reliant upon the underlying quality of bank lending practices of the participating lenders over which NHFIC has no control.</p>	<ul style="list-style-type: none"> • NHFIC obtains an annual independent review of bank lending practices to ensure compliance with Scheme Rules. • NHFIC liaises with banks to support lending practices that align with the policy objectives of using the Commonwealth guarantee to support housing outcomes.
FINANCIAL SUSTAINABILITY	
<p>NHFIC may incur credit losses from lending activities that impact the development of a sustainable business model to fund ongoing operations and build adequate reserves for the future.</p>	<ul style="list-style-type: none"> • Comprehensive long-term business planning and financial modelling to stress test the portfolio and viability of the business model under different scenarios. • Monitoring and reporting of business outcomes and financial benchmarks to the Board. • Risk weighted balance sheet to assess capital adequacy and target capital ratios.

Risk and impacts/consequences	Risk responses/controls
RELATIONSHIP MANAGEMENT	
<p>NHFIC operates within a complex and dynamic relationship environment dealing with various government entities, financial institutions, investors and key borrowers. There is the potential for the interests of these various groups/stakeholders to be in conflict or competition that may result in reputational damage to NHFIC.</p>	<ul style="list-style-type: none"> • Regular dialogue through meetings, workshops, industry events to understand stakeholder interests and needs. • Provision of research data to provide thought leadership to stimulate discussion and inform the market. • Partnerships with the private sector on idea generation to stimulate further support for investment in CHP sector.
RESOURCE CONSTRAINTS	
<p>NHFIC may not be able to deliver functions and services within set timeframes due to insufficient staff or a shortage of skilled resources from increased competition for expertise NHFIC relies upon.</p>	<ul style="list-style-type: none"> • Offer a mix of competitive remuneration and non-financial benefits to retain and attract the talent needed. • Focus on the promotion of a positive culture and a flexible work environment to motivate and develop staff. • Provide assistance with staff development through targeted training and upskilling.
OPERATIONAL	
<p>Eligibility criteria for particular policy initiatives restrict NHFIC's capacity to address broad community housing needs due to unintended exclusion of groups in need of affordable housing.</p> <p>NHFIC finance may not complement, leverage or support other Commonwealth/state finance or activities.</p> <p>Countermeasures built into policy, program and system design to mitigate fraud risk are ineffective.</p>	<ul style="list-style-type: none"> • NHFIC works closely with government policymakers on policy design to improve housing outcomes including the inclusion of housing vulnerable groups. • NHFIC has the capacity to respond to policy driven business changes in an agile manner. • Management focus on the efficiency, effectiveness, design and implementation of operational process to achieve policy outcomes. • NHFIC works with its partners to mitigate the risk that government schemes could be inappropriately accessed by misleading or fraudulent behaviour.

Performance audit of the administration of NHFIC

In January 2021, the Auditor-General released a report on the ANAO's review of NHFIC's operations, making several recommendations aimed at improving specific aspects of the risk management framework. NHFIC has addressed the recommendations, supported with embedded business controls, and engaged additional risk management expertise to support the continued growth of the organisation.

NHFIC stakeholders



Cooperation

NHFIC operates in a dynamic and complex environment. Gaining the cooperation and support of numerous stakeholders – including governments, CHPs, investors and participating lenders is essential for us to achieve our purpose.

In 2021–22, we will continue to strengthen and expand our partnerships and relationships to help broaden our reach, build on our existing capabilities and seek new opportunities to support improved housing outcomes.

We will continue to focus on understanding our stakeholders’ challenges and work to deepen their understanding of the value NHFIC provides. We will enhance our reputation and increase awareness of NHFIC and its work across all stakeholder groups. We will grow the NHFIC brand by positioning ourselves as a key industry partner in accelerating increased investment in affordable housing.

We will seek to further optimise our service, knowledge and responsiveness to the community housing sector, including engaging with mid to lower-tier CHPs, Indigenous-based CHPs and CHPs that target specific cohorts such as vulnerable women and specialist disability accommodation.

NHFIC will continue to engage and cooperate with governments at all levels across Australia to identify common interests and coordinate our activities to leverage greater outcomes from assistance to the community housing sector. We will continue to have regular dialogue with the Federal Government and Commonwealth departments and develop strong bilateral relationships with state and territory housing authorities.

We will also collaborate with a wide range of industry stakeholders to further develop new innovative product offerings and structures and facilitate opportunities for partnerships with CHPs, superannuation funds and other financiers to encourage more private sector investment into the community housing sector to increase the supply of affordable housing.

We will work with relevant Commonwealth, state and territory departments to identify housing-related infrastructure projects that could be supported by NHIF finance and continue to promote umbrella facility agreements for states and territories that are yet to enter into such agreements with NHFIC. We will engage bilaterally with local governments, larger CHPs and major property developers, and through other forums such as workshops and roundtables.

NHFIC will work collaboratively with the Federal Government, participating lenders and industry stakeholders to ensure the FHLDS, NHG and recently introduced FHG operate in a manner consistent with our mandate and help eligible first home buyers and single parents with dependants access the housing market sooner.

We will actively contribute to industry discussion and debate on housing affordability, including through independent research, and will seek to build strong relationships across the housing spectrum including by identifying areas for better research collaboration.

We will continue to partner with CHIA on the Capacity Building Program and look to refine the application process to maximise the benefits of the program for CHPs.

We will leverage expertise and support from Export Finance Australia to support our operations.

Our performance



Our strategy aims to ensure we deliver on our purpose of improving housing outcomes by remaining responsive and adaptable as NHFIC's operations grow in complexity and size.

Our first three years of operation focused on building the business to effectively and efficiently deliver on our purpose. This Plan reflects that NHFIC is maturing and progressing from a build phase to a consolidation phase. We are well positioned for continued success as the business adapts to the needs of our stakeholders and the changing operating environment.

We will continue to enhance our product offerings and improve the user experience including through ongoing dialogue and feedback. On the organisational side, we will continue to mature and position ourselves for further success and grow our capability and capacity to meet current and future needs.

We have established performance measures relating to each of our key activities outlined in the NHFIC Act and the Investment Mandate. We will use these to assess our performance over the next four years and to prepare our annual performance statements.

Since our 2020–21 Corporate Plan, we have strengthened our performance measures so that they provide a greater understanding of our efficiency and effectiveness in delivering outcomes. This includes a mix of types, bases and hierarchy to provide holistic information on the achievement of our key activities (see Appendix A for further detail).

NHFIC also considered the development and inclusion of performance measures which specifically address the concept of additionality in outcomes¹ in its revised performance measures and notes the following:

- The NHFIC Act and the Investment Mandate contain no references to the quantum of additional affordable housing to be supported through the activities of NHFIC.
- NHFIC has refined its credit approval processes and associated Board and credit papers to ensure that the additional benefit NHFIC finance will have on social and affordable housing is clearly articulated.
- Some of NHFIC's activities such as issuing and or refinancing loans at concessional rates and the provision of first home-owner mortgage guarantees do not directly, at least initially, increase the stock of social and affordable housing.
- NHFIC financing will have a significant impact on additionality but in many cases cannot be reasonably estimated in advance until the specifics of the transaction are known. For example, the extent of additionality will be impacted by the level of state government support, geography, land contribution and financial structure among others.

As such, while we have included performance measures relating to additionality in this Plan, we have not set associated targets for these measures for the reasons outlined above. In these cases we will report outcomes against these measures in our annual performance statements to complement the other performance measures where it is reasonably practicable to set meaningful targets.

Detailed on the following pages are the key activities for each of the five programs administered by NHFIC being:

- Affordable Housing Bond Aggregator (AHBA)
- National Housing Infrastructure Facility (NHIF)
- First Home Loan Deposit Scheme (FHLDS)
- Research
- Capacity Building.

From a financial reporting perspective, the activities of the AHBA are reported as a public financial corporation (PFC) whereas the activities of NHIF, FHLDS, Research and Capacity Building are reported under the general government sector (GGs).

AHBA activity in the forward years of this Corporate Plan is expected to be constrained by the \$3 billion statutory cap on NHFIC's guaranteed liabilities imposed by the NHFIC Investment Mandate. On current forecasts, we anticipate reaching this cap during 2021–22.

At the date of publishing this Plan, \$800 million of the \$1 billion NHIF Permanent Fund and grants have been appropriated. The Government has provided \$23.5 million over four years from 2019–20 for FHLDS and Research. FHLDS is an ongoing program whereas Research currently has no budget appropriation beyond the 2022–23 financial year.

We outline performance risks at the end of this section, which should be considered when assessing our planned outcomes in the tables below.

As in previous corporate plans, forward targets are dependent on achieving planned outcomes in the previous years.

¹ 'Additionality' in this context refers to whether NHFIC's programs and activities result in 'improved housing outcomes' (that is, additional supply) over and above what would be delivered without NHFIC's contribution.

Affordable Housing Bond Aggregator

The purpose of the AHBA is to provide loans to registered CHPs by aggregating their lending requirements and financing them primarily through the issuance of government guaranteed bonds in the commercial market.

Key activity 1: Operation of Affordable Housing Bond Aggregator – Loans

High level activities	Intended results
<ul style="list-style-type: none"> Promote and expand the construction loan portfolio subject to the \$3 billion liability cap. Expand and innovate the current range of product offerings and structures. Facilitate opportunities for partnerships with external investors and superannuation funds. Engage and educate CHPs via workshops focused on product promotion. 	<ul style="list-style-type: none"> Increase the supply of social and affordable housing. Lower the cost of finance to CHPs and reduce refinance risk. Private capital attracted into the community housing sector.

What will be measured and reported?	Year			
	2021–22	2022–23	2023–24	2024–25
New AHBA loans approved by NHFIC Board not to exceed \$3 billion liability cap	\$300m–\$500m	Forward targets to be set in future years ²		
Methodology: Independent verification by the Australian National Audit Office from source records which reconcile to financial statements.				
Minimum percentage of new AHBA loans approved by NHFIC Board for supply of new housing	50%	Forward targets to be set in future years ²		
Methodology: Analysis of information provided in AHBA loan applications.				

2. Forward targets are dependent on discussions with the Federal Government on the size of the liability cap.

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number of dwellings supported by new AHBA loans	Social and affordable dwellings by state for the year and cumulative			
Methodology: Analysis of information provided in AHBA loan applications.				
Interest savings to CHPs from the provision of concessional loans	Interest savings to CHPs for the year and cumulative			
Methodology: Analysis of information provided in AHBA loan applications.				

Key activity 2: Operation of Affordable Housing Bond Aggregator – Bond Issuances

High level activities	Intended results
<ul style="list-style-type: none"> Issue bonds to support the AHBA loan facility with a mix of tenors. Issue bonds that meet ESG requirements. 	<ul style="list-style-type: none"> Reduce interest rate and repricing risk for CHPs as tenor of AHBA loans is more aligned with their assets. Issued bonds align to the International Capital Markets Association's Social and Sustainability Bond Principles.

What will be measured and reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number of bonds issued	1–2	Forward targets to be set in future years ²		
Methodology: Independent verification by the Australian National Audit Office from source records which reconcile to financial statements.				
Value of bonds issued	\$200m–\$400m	Forward targets to be set in future years ²		
Methodology: Independent verification by the Australian National Audit Office from source records which reconcile to financial statements.				
Percentage of issued bonds certified as meeting NHFIC's Sustainability Bond Framework	100%	100%	100%	100%
Methodology: External assurance on bonds issuances.				

2. Forward targets are dependent on discussions with the Federal Government on the size of the liability cap.

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number and percentage of investors onshore and offshore	Diverse nature of the investor base for bonds			
Methodology: Independent verification by the Joint Lead Managers of the bond issuance.				
Issuance spread to the comparable CGS and relevant state government yields	Interest rate differential between NHFIC bonds and a Commonwealth Government Security of a similar tenor			
Methodology: Independent verification by the Joint Lead Managers of the bond issuance.				

National Housing Infrastructure Facility

The purpose of the NHIF is to provide finance in the form of loans, grants and equity investments for eligible 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.

Key activity 3: Operation of National Housing Infrastructure Facility

High level activities	Intended results
<ul style="list-style-type: none"> Expand NHIF portfolio through eligible borrowers and active pipeline engagement and management. Re-design and simplify internal processes to be more customer focused. Provide NHIF loans that are consistent with the requirement of the Investment Mandate 	<ul style="list-style-type: none"> New or upgraded infrastructure to unlock and increase the supply of housing, particularly affordable housing. Revised processes for NHIF customers result in more applications for NHIF funding. NHIF loans are priced so that the value of the Permanent Fund is at/or above the minimum target value.

What will be measured and reported?	Year			
	2021–22	2022–23	2023–24	2024–25
New NHIF facilities (loans, grants and equity investments) approved by NHFIC Board	\$100m–\$300m	\$100m–\$300m	\$100m–\$300m	\$100m–\$300m
Methodology: Independent verification by the Australian National Audit Office from source records which reconcile to financial statements.				
Number of NHIF applications received	5	7	10	10
Methodology: Analysis of agency records including pipeline reports provided to the NHFIC Board.				
Application turnaround time from receipt of NHIF application to NHFIC Board approval	60 days	60 days	60 days	60 days
Methodology: Analysis of average time taken to process application.				

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number of dwellings supported by new NHIF facilities	New dwellings by state for the year and cumulative			
Methodology: Analysis of information provided in NHIF loan applications.				
Aggregate value of Permanent Fund	Annual update on aggregate value of deployed and not-deployed funds			
Methodology: Independent verification by the Australian National Audit Office from source records which reconcile to financial statements.				

First Home Loan Deposit Scheme

The FHLDS and its related schemes the New Home Guarantee (NHG) and Family Home Guarantee (FHG) facilitate first home buyers and single parents entering into the housing market sooner. Under the Scheme, eligible first home buyers can purchase a modest home with a deposit of as little as 5 per cent and single parents with a deposit of as little as 2 per cent.

Key activity 4: Operation of First Home Loan Deposit Scheme

High level activities	Intended results
<ul style="list-style-type: none"> Release all guarantees to participating lenders each financial year from 1 July including FHLDS (10,000 p.a. ongoing), NHG (10,000 in 2021–22) and FHG (10,000 in 2021–22). Work collaboratively with participating lenders to encourage the embedment of Scheme requirements into operational processes and customer interactions. Refresh the panel of participating lenders in FY22 consistent with Board approved strategy. 	<ul style="list-style-type: none"> Facilitate entry of first home buyers and single parents into the housing market. Scheme operates consistently across all participating lenders in accordance with section 29K of the NHFIC Investment Mandate and Scheme Rules. Updated panel of lenders to drive greater participation in FHLDS, NHG and FHG.

What will be measured and reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Facilitate the release of guarantees to participating lenders:				
- FHLDS	10,000	10,000	10,000	10,000
- NHG	10,000	-	-	-
- FHG	10,000	-	-	-
Methodology: Analysis of data from the FHLDS IT Portal.				
Receipt of lender audit reviews and lender six-monthly reporting of material policy changes	100%	100%	100%	100%
Methodology: Analysis of agency records including lender reporting.				

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number of homes purchased by first home buyers and single parents under the scheme	Geographic distribution of settled properties by state and major city/regional area for the year			
Methodology: Analysis of data from the FHLDS IT Portal.				
Outcome of panel refresh and number of panel lenders	Number of panel lenders and distribution by state			
Methodology: Analysis of agency records including procurement outcomes.				
Number of loans in arrears and amount of those arrears	Number and value by state			
Methodology: Analysis of agency records including portfolio management reports.				
Number and value of claims against the Commonwealth guarantee	Number and value of claims by state			
Methodology: Analysis of agency records including claims submitted to Treasury.				

Research

The purpose of the Research function is to conduct comprehensive research into housing demand, supply and affordability in Australia, including highlighting current and potential gaps between supply and demand across housing sub-markets.

Key activity 5: Research into housing affordability in Australia

High level activities	Intended results
<ul style="list-style-type: none"> Produce targeted research papers. Periodically seek feedback on research projects from housing stakeholders. 	<ul style="list-style-type: none"> Release high quality research papers including flagship State of the Nation's Housing report. Influence the housing policy debate by producing relevant, quality and credible research. Create a more connected conversation between government, research and industry that helps to deliver better housing outcomes.

What will be measured and reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Research delivered according to Board approved pipeline including scope and timeframe	100%	To be informed by future Board approved research projects ³		
Methodology: Analysis of agency records including reporting to the NHFIC Board.				
Satisfaction with research output	Stakeholders satisfied	To be informed by future satisfaction surveys ³		
Methodology: Annual survey of housing stakeholders .				

3. Activities in 2023–24 and 2024–25 are dependent on discussions with the Federal Government about future funding.

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Other activities that encourage better housing policy outcomes, including working to improve the housing data ecosystem, participating in policy webinars and engaging in and participating in industry and government roundtables	Other contributions by Research during the year ³			
Methodology: Analysis of agency records including reporting to the NHFIC Board.				

3. Activities in 2023–24 and 2024–25 are dependent on discussions with the Federal Government about future funding.

Capacity Building

The purpose of the capacity building program is to provide support for registered CHPs to further develop their financial and management capabilities and undertake new developments. A cap of \$1.5 million applies to the amount that NHFIC can spend on capacity building activities. NHFIC’s Investment Mandate envisages that NHFIC will enter into contracts to procure these services.

Key activity 6: Support for capacity building

High level activities	Intended results
<ul style="list-style-type: none"> Refine grant application process in consultation with external provider to maximise benefits of program for CHPs and increase the chance of successful grant applications. Consider the need for a capacity building grant in the review of all EOIs for NHFIC finance. 	<ul style="list-style-type: none"> More efficient application process. Better quality applications that could lead to better financing opportunity in the future. CHPs receive more support to improve their capability.

What will be measured and reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number of individual CHP and sector-wide capacity grant applications approved	6–10	6–10	6–10	6–10
Methodology: Analysis of agency records including CHIA quarterly reports.				
Satisfaction with consulting project and outcomes of using capacity grant	CHPs satisfied	Maintained or increased compared to previous year		
Methodology: Survey of CHPs with completed projects.				

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Number of individual CHP capacity grant applications approved	Approved applications by CHP tier for the year and cumulative			
Methodology: Analysis of agency records including CHIA quarterly reports.				
Number of sector-wide capacity grant applications received	Received and approved applications for the year and cumulative			
Methodology: Analysis of agency records including CHIA quarterly reports.				

In addition to performance metrics for each of the five programs administered by NHFIC, we have also established metrics for how we engage with our stakeholders and how we operate as an organisation to meet our objectives.

What will be reported?	Year			
	2021–22	2022–23	2023–24	2024–25
Stakeholder engagement to raise NHFIC’s profile and enhance its reputation	Stakeholder engagement and communication activities			
Methodology: Analysis of agency records including reporting to the NHFIC Board.				
Highly experienced, skilled and diverse workforce to enable NHFIC to deliver its functions	Workforce capability and diversity			
Methodology: Analysis of agency records including workforce data.				

Performance risks

We work in a dynamic operating environment. Our performance targets for 2021–22 will be influenced by the following:

- 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
- regulatory guidelines policies that have direct impact on banking practices.



Appendix A: Performance reporting framework

The performance measures reported in this Corporate Plan include a mix of types (output, efficiency and effectiveness), bases (quantitative, qualitative or a combination) and hierarchy (accountability, strategic, tactical and management) to provide holistic information on the achievement of our key activities.

The tables below provide a summary of the attributes of our performance reporting framework based on the definitions in Resource Management Guide 131: *Developing good performance information* developed by the Department of Finance.

Activity	Number of performance measures reported			Total
	Efficiency	Effectiveness	Output	
AHBA – loans	-	3	1	4
AHBA – bonds	1	-	4	5
NHIF	1	2	2	5
FHLDS	3	2	1	6
Research	-	1	2	3
Capacity building	-	4	-	4
Operations	1	1	-	2
Total	6	13	10	29

Activity	Number of performance measures reported			Total
	Qualitative	Quantitative	Both	
AHBA – loans	-	4	-	4
AHBA – bonds	-	5	-	5
NHIF	-	5	-	5
FHLDS	1	4	1	6
Research	1	-	2	3
Capacity building	-	3	1	4
Operations	2	-	-	2
Total	4	21	4	29

Activity	Number of performance measures reported				Total
	Accountability	Strategic	Tactical	Management	
AHBA – loans	2	2	-	-	4
AHBA – bonds	2	-	2	1	5
NHIF	2	1	1	1	5
FHLDS	2	4	-	-	6
Research	1	-	2	-	3
Capacity building	1	2	1	-	4
Operations	-	1	1	-	2
Total	10	10	7	2	29

Appendix B:

Compliance with PGPA Rule 2014

Topic	Matters to be included	Page
Introduction	The following: <ol style="list-style-type: none"> a. a statement that the plan is prepared for paragraph 35(1)(b) of the Act b. the reporting period for which the plan is prepared; c. the reporting periods covered by the plan. 	3
Purposes	The purposes of the entity.	5
Key activities	For the entire period covered by the plan, the key activities that the entity will undertake in order to achieve its purposes.	7–9
Operating context	For the entire period covered by the plan, the following: <ol style="list-style-type: none"> a. the environment in which the entity will operate; b. the strategies and plans the entity will implement to have the capability it needs to undertake its key activities and achieve its purposes; c. a summary of the risk oversight and management systems of the entity, and the key risks that the entity will manage and how those risks will be managed; d. details of any organisation or body that will make a significant contribution towards achieving the entity's purposes through cooperation with the entity, including how that cooperation will help achieve those purposes; e. how any subsidiary of the entity will contribute to achieving the entity's purposes. 	10–18
Performance	For each reporting period covered by the plan, details of how the entity's performance in achieving the entity's purposes will be measured and assessed through: <ol style="list-style-type: none"> a. specified performance measures for the entity that meet the requirements of section 16EA; and b. specified targets for each of those performance measures for which it is reasonably practicable to set a target. 	19–26

Glossary

Term	Description
AHBA	Affordable Housing Bond Aggregator
ANAO	Australian National Audit Office
ARC	Audit and Risk Committee
BCP	Business Continuity Plan
CEO	Chief Executive Officer
CHIA	Community Housing Industry Association
CHP	Community housing provider
Effectiveness	The extent to which an activity makes the intended contribution to meeting a specific purpose
Efficiency	The unit cost (e.g. in terms of dollars spent or human resources committed) of an output generated by an activity
ESG	Environmental, social and governance
FHG	Family Home Guarantee
FHLDS	First Home Loan Deposit Scheme
GBPs	Green Bond Principles
GGs	General government sector
ICMA	International Capital Market Association
Investment Mandate	National Housing Finance and Investment Corporation Investment Mandate Direction 2018 (Compilation No. 3)
LVR	Loan to value ratio
Minister	Assistant Treasurer, Minister for Housing and Minister for Homelessness, Social and Community Housing
NHFIC	National Housing Finance and Investment Corporation
NHFIC Act	National Housing Finance and Investment Corporation Act 2018
NHG	New Home Guarantee
NHIF	National Housing Infrastructure Facility
Output	The tangible things (e.g. services) delivered by an activity
PFC	Public financial corporation
PGPA Act	Public Governance, Performance and Accountability Act 2013
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
Qualitative information	Information that emphasises narrative rather than numbers
Quantitative information	Information represented numerically, including as a number (count), score or proportion
Review	Review of the operations of the NHFIC Act and NHFIC's activities assisting first home buyers as required under sections 57 and 57A of the NHFIC Act
SBGs	Sustainability Bond Guidelines
SBPs	Social Bond Principles
SLA	Service level agreement
WHS	Work health and safety

