

# STATEMENT OF INTENT FOR THE NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION

The Government established the National Housing Finance and Investment Corporation (**NHFIC**) in 2018 to improve housing outcomes for Australians. The Government has recently provided NHFIC with a Statement of Expectations (**SOE**) outlining how the Government expects NHFIC to perform its role and meet its responsibilities, taking into account the Government's priorities and objectives. The SOE also outlines expectations for how NHFIC should manage its relationship with the Government and other agencies and covers issues of transparency and accountability.

This Statement of Intent (**SOI**) responds to the SOE and outlines how NHFIC intends to take into account the Government's housing policy priorities and objectives in the performance of its statutory role and how it will demonstrate delivery against the SOE.

NHFIC is regulated by the *National Housing Finance and Investment Corporation Act 2018* (**NHFIC Act**) and the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018* (**the Investment Mandate**) (together the **Legislative Framework**). NHFIC's functions are prescribed by the NHFIC Act, and its activities must be carried out in accordance with the Investment Mandate. NHFIC also operates consistent with other regulatory requirements, including the *Public Governance, Performance and Accountability Act 2013* (**PGPA Act**).

To fully meet the Government's expectation as set out in SOE, amendments may be required to the Legislative Framework to make clear that NHFIC is permitted to carry out the specific activities contemplated by the SOE in the manner required by the Government. The Board confirms that NHFIC will support the Treasury where appropriate to develop the necessary changes to the Legislative Framework that enable NHFIC to respond to the SOE as outlined in this SOI.

## THE GOVERNMENT'S HOUSING POLICY PRIORITIES AND OBJECTIVES

The Board acknowledges the Government's views that:

- access to secure and affordable housing has significant social and economic benefits. While State and Territory governments have primary policy responsibility for housing, the Commonwealth provides substantial support to improve housing outcomes for all Australians, including through NHFIC;



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- one of the Government’s key objectives when it established NHFIC was to attract greater private and institutional investment into social and affordable housing; and
- given its unique position, NHFIC has a central responsibility for developing the market for affordable housing bonds.

The *Statutory Review of the Operation of the NHFIC Act 2018* (the **Review**) recommended that NHFIC be given an explicit mandate to ‘crowd in’ other financiers to support the delivery of social and affordable housing at a greater scale.

Consistent with the Government’s objectives, NHFIC has made loans to the community housing sector, to increase the supply of social and affordable housing. This has been achieved through its bond issuance program under the Affordable Housing Bond Aggregator (**AHBA**). NHFIC’s value add has been to provide long-term cost-effective finance (e.g. senior debt) to registered CHPs, where the private sector has been unable or unwilling to do so.

NHFIC has developed a strong and active investor base underpinned by;

- being an early adopter of environmental social and governance (**ESG**) principles. Its bond issuance program is aligned with UN Sustainable Development Goals and ICMA’s Social Bond Principles, Green Bond Principles and Sustainability Bond Guidelines; and
- engaging with banks and the Australian Office of Financial Management (**AOFM**). NHFIC will continue to engage with AOFM to ensure its bond issuance program is as effective and cost efficient as possible.

The Board acknowledges that the Government’s aim is for the AHBA to reach a level of maturity where it can operate with less reliance on the Commonwealth’s Guarantee. NHFIC acknowledges the Government has announced its intention to extend the guarantee up to 30 June 2028. Well in advance of that date, as requested, NHFIC will consult with the Treasury to ensure NHFIC’s debt remains attractive to investors.

The Board acknowledges that in addition to attracting finance through its bond issuance program, the Government now requires a shift in emphasis to also include the facilitation of greater private investment in respect of NHFIC’s lending to the community housing sector.

NHFIC will encourage greater investment in the community housing sector by leveraging its unique position and comparative advantage through:

- deepening cooperation with other investors to support co-financing opportunities with community housing providers (**CHPs**); and
- utilising partnerships and fostering collaboration between investors and lenders from the private and public sectors to develop innovative models (including debt and equity) on the lending side to support greater investment in the sector.



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NHFIC is developing a set of principles that will help guide its approach to leveraging investment into the community housing sector in a manner that is consistent with the SOE and the Legislative Framework. NHFIC will also work with Treasury to assist with developing the potential legislative changes required to enable NHFIC to crowd in private investment.

NHFIC conducts comprehensive research into housing demand, supply and affordability in Australia. NHFIC will also utilise its research capability to help develop the community housing sector as a viable investment class. Through its research, NHFIC can promote a deeper understanding of outcomes data (consistent with ESG principles) and financial metrics (risk and return) through the standardisation and dissemination of data. NHFIC's Capacity Building Program will also assist with strengthening the governance and financial skills of the sector.

The Board supports the Government's views in regard to:

- the importance of unlocking greater housing supply to support improved housing outcomes for Australians; and
- the role that the Government's \$1 billion National Housing Infrastructure Facility (**NHIF**) plays in providing finance and grants to overcome impediments to the provision of new housing supply, at market housing and/or affordable housing.

NHFIC will continue to proactively engage with stakeholders to identify and prioritise NHIF opportunities, including complementing existing state and territory infrastructure initiatives. In consultation with the Treasury, NHFIC will determine how to best leverage available NHIF finance and grants to achieve the greatest increase in new housing supply.

The Board acknowledges that the Government is committed to supporting Australians' aspiration of home ownership and that the Government's Home Guarantee Scheme provides a supported pathway to home ownership for first homebuyers and single parents with dependants. Consistent with its approach to date, NHFIC will administer the Home Guarantee Scheme in a manner that ensures its ongoing integrity, equity and transparency.

## **RELATIONSHIP WITH THE GOVERNMENT AND THE TREASURY**

The Board acknowledges the functions NHFIC performs and the programs it administers form an important part of the Government's housing policy agenda. To allow appropriate oversight and monitoring of those functions and programs, NHFIC will continue its ongoing reporting of its operations, progress on delivery of its corporate strategy and conditions in the markets in which it operates.

NHFIC will continue to work closely with the Treasury and other relevant Commonwealth agencies. In this regard, to enhance its working relationship, NHFIC will work with the Treasury to develop a set of protocols, drawing on the experiences of other relevant



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Commonwealth agencies, particularly on the operational implications of Government policy during development, implementation and performance over time.

In accordance with its statutory obligations, NHFIC will provide the responsible Minister with accurate and timely advice on significant issues in its core areas of business to facilitate oversight of NHFIC and also support the Minister in terms of requests for information, advice or changes in strategic direction.

As the accountable authority under the PGPA Act, the Board confirms that it will comply with its obligations under section 19 of the PGPA Act.

## **TRANSPARENCY AND ACCOUNTABILITY**

The Board acknowledges that, as a corporate Commonwealth entity, as defined in the PGPA Act, NHFIC is subject to the accountability, management, performance and reporting requirements specified in that Act. The Board supports a strong governance framework and confirms that the Board and senior executive team will continue to manage NHFIC with care and diligence in accordance with the applicable obligations of both the PGPA Act and the NHFIC Act.

The Board notes that NHFIC is subject to a range of transparency and accountability measures for financial and performance activity and publishes the following reports annually:

- Corporate Plan, which communicates NHFIC's strategic priorities and its performance indicators, to meet the requirements of the PGPA Act;
- Annual Report, which reports the outcomes achieved by NHFIC against the strategic priorities outlined in the Corporate Plan, including consideration of NHFIC's capabilities, and provides an Annual Performance Statement with information about NHFIC's activities and the outcomes achieved in the year; and
- Social Bond Report, which provides information and transparency to investors on the use of bond proceeds and forms a key disclosure requirement under NHFIC's Sustainability Bond Framework.

As outlined in Part 6, Section 31(1) of the Investment Mandate, the Board must have regard to Australian best practice government governance principles, and Australian best practice corporate governance for Commercial Financiers, when performing its functions, including developing and annually reviewing policies. The Board confirms that it will undertake annual internal reviews and external reviews every three years of the Board's performance, the performance of Board members, and the performance of its Board sub-committees and provide a copy of these reviews to the responsible Minister. The Board confirms that it has committed to have completed an independent external review by 30 June 2022.



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To best support the operation of NHFIC and achievement of the Government's policy objectives, the Board also confirms that it will have regular independent reviews to assess the appropriateness of the Board's skills mix, including through provision of a skills matrix to the responsible Minister. At a minimum, this will be provided in the event of a change in the strategic direction of NHFIC and in advance of the scheduled expiration of a Board member's term. The Board confirms that it has completed a skills matrix in respect of the current Board.

In relation to the skill set of NHFIC's management, the Board and the CEO will work together to ensure that the skill set of the senior management team remains appropriate for the performance of NHFIC's objectives and functions. Following the finalisation of any changes to the Legislative Framework, the Board confirms that the CEO and the Board will review the skill set of the senior management team to ensure it remains appropriate for the performance of NHFIC's objectives and functions having regard to such changes. NHFIC will also develop a skills matrix for the senior management team and if requested provide this to the responsible Minister. Details of senior management skills and experience will also be reflected in the Annual Report.

Consistent with section 15 of the PGPA Act, the Board, as the accountable authority, will govern NHFIC in a way that promotes the proper use and management of public resources for which the authority is responsible, and promotes the achievement of NHFIC's purposes and the financial sustainability of NHFIC. The Board further confirms that the CEO and senior management team will continue to exert appropriate oversight and evaluation of the cost effectiveness of NHFIC's services contracts, its employee and other significant expenditures (including its use of consultants) and its general financial management and report to the Board on these matters.

The Board confirms that NHFIC will operate with a long-term sustainable perspective, maintaining a focus on ethical behaviour, financial performance and a supportive culture that underpins the engagement of its staff. Having a safe, positive, supportive work environment for staff and providing opportunities for learning and development is central to the ongoing health and culture of NHFIC.

The Board is confident that conflicts of interest are addressed consistent with internal policies and best governance practices. The Board will continue to examine and improve, where necessary, how NHFIC documents and manages potential or actual conflicts of interest.