

STATEMENT OF EXPECTATIONS 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.

This Statement outlines how the Government expects NHFIC to perform its role and meet its responsibilities, taking into account the Government's priorities and objectives. The statement also outlines expectations for how NHFIC manages its relationship with the Government and other agencies and covers important issues of transparency and accountability.

The Statement should be read alongside 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).

The Government looks forward to receiving a Statement of Intent from NHFIC. The Statement of Intent should clearly outline how NHFIC intends to take into account the Government's policy priorities and objectives in the performance of its statutory role and how it will demonstrate delivery against this intent and performance expectations to crowd in private and institutional investment.

THE GOVERNMENT'S HOUSING POLICY PRIORITIES AND OBJECTIVES –

The Government recognises 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.

One of the Government's key objectives when it established NHFIC was to attract greater private and institutional investment into the social and affordable housing sector.

Given its unique position, NHFIC has a central responsibility for developing the market for affordable housing bonds and the Government is strengthening its mandate to do so. Consistent with the Government's response to the *Statutory Review of the Operation of the NHFIC Act 2018* (the Review), NHFIC should focus on making optimal use of its finite lending capacity to encourage and "crowd in" greater private sector finance.

The Government expects the new mandate will require a strategic shift in the way that NHFIC operates. It will need to demonstrate a strong preference for partnering and collaborating with private financiers, commercial lenders and institutional investors, and to developing innovative financing models (including debt and equity) to support such arrangements.

The Government's aim is for the Affordable Housing Bond Aggregator (AHBA) to develop a broad and active investor base in the social and affordable housing sector and for it to reach a level of maturity where it can operate with less reliance on the Commonwealth's Guarantee. NHFIC should, in addition to undertaking research into housing demand, supply and affordability, also seek to use its research and capacity building functions to support its

“crowding in” and market development mandates and play a key role in building the capacity of the CHP sector.

The Government recognises the importance of unlocking greater housing supply to support improved housing outcomes for Australians. The Government’s \$1 billion National Housing Infrastructure Facility (NHIF) provides finance and grants to overcome impediments to the provision of new housing supply, at market housing and/ or affordable housing. The Government expects NHFIC to proactively seek out and appropriately prioritise opportunities that would best leverage available NHIF finance and grants to achieve the greatest increase in new housing supply.

The Government is committed to supporting Australians’ aspiration of home ownership. NHFIC administers the Government’s Home Guarantee Scheme which provides a supported pathway to home ownership for first homebuyers and single parents with dependants. The Government expects NHFIC to administer the Home Guarantee Scheme in a manner that ensures its ongoing integrity, equity and transparency.

RELATIONSHIP WITH THE GOVERNMENT AND THE TREASURY

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, the Government expects ongoing reporting from NHFIC and the NHFIC Board on its operations, progress on delivery of its corporate strategy and conditions in the markets in which it operates. The Government also expects NHFIC to work closely with the Treasury and other relevant Commonwealth agencies, particularly on the operational implications of Government policy during development, implementation and over time.

The Government expects the NHFIC Board to provide the responsible Minister with accurate and timely advice on significant issues in its core areas of business to facilitate oversight of NHFIC. Significant issues might include: matters for which the Government is likely to be accountable in Parliament; important NHFIC operational or budgetary issues; and actions that may undermine NHFIC’s efforts in improving housing supply. The Government expects the NHFIC Board will respond in a timely and fulsome manner to requests from the Minister for information, advice or changes in strategic direction in line with Government policy.

TRANSPARENCY AND ACCOUNTABILITY

As a corporate Commonwealth entity, as defined in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), NHFIC is subject to the accountability, management, performance and reporting requirements specified in that Act. The Government expects the NHFIC Board and Executive to manage the NHFIC with care and diligence in accordance with the applicable obligations of both the PGPA Act and the NHFIC Act.

As outlined in Part 6, Section 31(1) of the Investment Mandate, the NHFIC 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 Government also expects the NHFIC Board to 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 providing these to the responsible Minister.

To best support the operation of the NHFIC and achievement of the Government's policy objectives, the Government expects the NHFIC Board to periodically review and assess the appropriateness of the Board and management's skills mix, including through provision of a skills matrix to the responsible Minister. At a minimum, this should be provided in the event of a change in the strategic direction of NHFIC and reasonably in advance of the scheduled expiration of a Board member's term or management contract.

Consistent with section 15 of the PGPA Act, the NHFIC Board is to govern the entity in a way that promotes the proper use and management of public resources and the financial sustainability of the entity. Accordingly, the Government expects the NHFIC Board 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. The Government also expects NHFIC to examine and improve, where necessary, how it documents and manages potential or actual conflicts of interest.