



Australian Government

Australian Government Response to the Statutory Review of the Operation of the *National Housing Finance and Investment Corporation Act 2018*

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Manager
Media and Speeches Unit
The Treasury
Langton Crescent
Parkes ACT 2600
Email: media@treasury.gov.au

Introduction

The Australian Government is committed to improving housing outcomes for Australians. This commitment underpinned the *National Housing Finance and Investment Corporation Act 2018* (the Act) and the establishment of the National Housing Finance and Investment Corporation (NHFIC).

NHFIC performs an important role by making loans and grants to increase investment in housing, particularly social and affordable housing. Since its commencement in 2018, the NHFIC has:

- approved over \$2.7 billion in loans to registered Community Housing Providers, supporting more than 14,000 new and existing affordable housing dwellings;
- approved more than \$320 million in critical infrastructure funding to accelerate new housing supply, particularly affordable housing; and
- supported almost 60,000 Australians to buy their own home.

The *Review of the Operation of the National Housing Finance and Investment Corporation Act 2018* (the Review) recognised its achievements and identified opportunities to capitalise on NHFIC's early success.

The Government's response to the Review will enhance NHFIC's ability to deliver improved housing outcomes across the spectrum. It builds on the success of the Affordable Housing Bond Aggregator (AHBA), which has become a vital financial intermediary between the social and affordable housing sector and private capital markets.

In line with the recommendations in the Review, the Government's response will reposition NHFIC to leverage greater private sector involvement in the delivery of new social and affordable housing.

The Government's response sets clear expectations for how NHFIC is to perform its statutory role and meet its objectives of improving housing outcomes for all Australians. With the strategic guidance of the NHFIC Board, this will ensure NHFIC builds upon its considerable early success.

Affordable Housing Bond Aggregator

Recommendation 1

The Review recommends that NHFIC be given an explicit mandate to ‘crowd in’ other financiers to increase the supply of housing, particularly social and affordable housing. This should be effected via amendments to the Investment Mandate. It is important for NHFIC to ensure its strategic and operational planning is updated to perform this critical role.

Recommendation 2

The Review recommends amending the Investment Mandate to explicitly require NHFIC to engage in activities to develop the market for social and affordable housing bonds as part of its operation of the AHBA.

Government response

The Government **supports** these recommendations.

The Investment Mandate will be amended to give effect to these Recommendations and the Government has provided NHFIC with a Statement of Expectations.

Recommendation 3

The Review recommends that consideration be given to utilising the expertise of the Australian Office of Financial Management (AOFM) in executing NHFIC’s bond issuance.

Government response

The Government **supports in principle** this recommendation, subject to further consultation with relevant stakeholders.

NHFIC should consider consulting AOFM to optimise and implement best practice approaches to bond issuances.

Recommendation 4

The Review recommends that NHFIC be expressly permitted to consider issuing bonds in offshore markets once a domestic market for affordable housing debt is better established, and if the potential benefits to the sector were deemed to be sufficiently large from doing so.

Government response

The Government **supports** this recommendation but considers the Investment Mandate already provides for NHFIC to issue bonds offshore after 1 July 2023.

Recommendation 5

The Review recommends that NHFIC's Investment Mandate be amended to extend NHFIC the ability to lend to other not-for-profit providers of social and affordable housing that are not registered community housing providers, where it is satisfied that the risks of doing so are manageable.

Government response

The Government **supports in principle** this Recommendation and will undertake further consultation before considering whether to implement this Recommendation.

Recommendation 6

The Review recommends that the NHFIC Act be amended to extend the period during which the Government guarantee remains in force, and include a requirement for a review of the guarantee to be undertaken prior to this extended date.

Government response

The Government **supports** this recommendation.

Pursuant to s 51(3) of the Act, the Minister may amend this date by legislative instrument.

The Government will extend the guarantee to apply to contracts entered into up to 30 June 2028.

Recommendation 7

The Review recommends that the current arrangement of ad hoc consideration of the Liability Cap be replaced with a regular schedule of review. The regular review should focus on the quantum of private sector investment in the sector that could be leveraged by any further increase to the Liability Cap.

Government response

The Government **notes** this recommendation.

The Government reviews its policy settings as circumstances change and as required.

National Housing Infrastructure Facility

Recommendation 8

The Review recommends that the Government direct NHFIC to proactively seek out projects that could benefit from financing and grants under the NHIF. This should be a priority task for NHFIC, and should include quarterly reporting to the Minister.

Recommendation 9

The Review recommends that the Government direct NHFIC to better leverage NHIF finance and funding to achieve a greater proportion of social and affordable housing in projects.

Recommendation 10

The Review recommends that the Investment Mandate be amended to provide more clarity on the types of projects that are eligible under the NHIF, particularly whether the NHIF can be used to support projects that do not include a social or affordable housing component.

Recommendation 11

The Review recommends that if the NHIF remains relatively underutilised after another two years of operation, the Government should undertake an in-depth assessment of NHFIC's operation of the NHIF before considering more fundamental changes, including whether the NHIF's budget allocation could be better utilised elsewhere.

Government response

The Government **supports** these recommendations.

The NHIF is available to finance housing enabling infrastructure for projects that do not include a social or affordable housing component as originally intended by the Act.

The Government is committed to reviewing the performance of the NHIF if this remains relatively underutilised after another two years of operation.

Capacity Building Program

Recommendation 12

The Review recommends that consideration be given to increasing the maximum size of individual grants available under the Capacity Building Program to \$75,000.

Recommendation 13

The Review recommends that consideration be given to whether access to Capacity Building Program grants be targeted to those that would receive the greatest benefit from it, such as first-time applicants for NHFIC financing.

Recommendation 14

The Review recommends offering Capacity Building Program grants on a 'no win, no fee' basis, whereby grants are paid to providers of corporate advisory services only when the CHP they are advising is successful in its application for NHFIC finance.

Government response

The Government **supports in principle** these recommendations, noting the administration of the Capacity Building Program is a responsibility of the NHFIC Board.

NHFIC should play a key role in building the capacity of the CHP sector and use its Capacity Building Program to support its new "crowding in" and market development mandates.

First Home Loan Deposit Scheme

Recommendation 15

The Review recommends that additional data be collected to evaluate the effectiveness of the FHLDS, particularly on the behavioural changes induced by the scheme and the types of first home buyers that it supports. Findings should be incorporated into the six-monthly reporting required by section 29L of the Investment Mandate.

Government response

The Government **supports** this recommendation.

Noting that NHFIC is collecting more data from lenders on first home buyer intentions, the Investment Mandate will be amended to give effect to this Recommendation.

Recommendation 16

The Review recommends that if the Government were to consider changes to the number of guarantees offered under the FHLDS, or substantial changes to the eligibility criteria, it should carefully assess potential impacts on the viability of the private LMI sector.

Government response

The Government **supports** this recommendation.

The Government will consider potential impacts on the viability of the private LMI sector if there are changes to the number of guarantees offered under the FHLDS.

Recommendation 17

The Review recommends that, were the Government minded to provide additional guarantees to support first home buyers, there would be merit in considering whether these could be more precisely targeted to those that most need the assistance. Consideration should also be had to expanding the scheme only in periods when extraordinary countercyclical support for activity may be required or in a way that supports additional housing supply.

Government response

The Government **notes** this recommendation.

Research Function

Recommendation 18

The Review recommends that the NHFIC's research function be narrowed to focus on research aimed at helping to unlock and stimulate private finance in social and affordable housing, consistent with NHFIC's core purpose and competencies. NHFIC should retain responsibility for research into housing demand and supply in Australia, including current and potential future gaps between housing supply and demand.

Government response

The Government **does not support** this recommendation. NHFIC should continue to conduct comprehensive research into housing demand, supply and affordability. Where possible, NHFIC's research should also seek to support its new 'crowding in' and market development mandates outlined in Recommendations 1 and 2.

Recommendation 19

The Review recommends that NHFIC be directed to support and, where appropriate, lead efforts to enhance the quality and availability of data on the social and affordable housing sector.

Government response

The Government **supports** this recommendation.

The Investment Mandate will be amended to give effect to this Recommendation in a manner that complements the existing research landscape and the Government will provide a Statement of Expectations.

Financial and Governance Arrangements

Recommendation 20

The Review recommends that the NHFIC Board be directed to develop and maintain a board skills matrix, including current and potential gaps, and to provide this to the Minister periodically. At a minimum, this should be provided to the Minister when there is a major change in strategic direction, and reasonably in advance of the expire of a Board member's term.

Government response

The Government **supports** this recommendation.

The Statement of Expectations will give effect to this Recommendation.

Recommendation 21

If Recommendation 20 is accepted by the Government, the Review recommends that:

- the Government consider whether the Board has the necessary skills and experience required to oversee this change; and
- the NHFIC Board and Chief Executive Officer consider whether NHFIC staff have the necessary skills and experience to effect this change.

Government response

The Government **supports** this recommendation.

NHFIC should consider whether staff have the necessary skills and experience to deliver on the Statement of Expectations and NHFIC's strategic goals. .

Recommendation 22

The Review recommends that the NHFIC Board be directed to undertake internal reviews (annually) and external reviews (every three years) of its performance, the performance of its individual Board members, and the performance of its Board sub-committees. The Ministers should be provided with annual updates on the performance of the Board and a copy of any external reviews.

Government response

The Government **supports** this recommendation.

The Statement of Expectations will give effect to this Recommendation.

Recommendation 23

The Review recommends that the NHFIC Board examine how it documents and manages potential conflicts of interest and its performance monitoring activities.

Government response

The Government **supports** this recommendation.

NHFIC should consider how it documents and manages conflict of interest and performance monitoring activities.

Recommendation 24

The Review recommends that the Government provide NHFIC with a Statement of Expectations to further support NHFIC's responsibilities as set out in the Act and the Investment Mandate. NHFIC should be expected to respond with a Statement of Intent.

Government response

The Government **supports** this recommendation.

The Government has issued NHFIC with a Statement of Expectations for the first time.

Recommendation 25

The Review recommends that interest earnings on the NHIF Permanent Fund should only be used for the purposes set out in section 13(1) of the Investment Mandate, unless the Minister's prior agreement has been sought.

Government response

The Government **notes** this recommendation.