Australian Government

NHFIC
National Housing Finance
and Investment Corporation

National Housing Finance and Investment Corporation

Annual Report 2022–23

About this report

This Annual Report is for the period commencing 1 July 2022 and ending on 30 June 2023 (defined as the financial year). It provides information about the National Housing Finance and Investment Corporation (NHFIC), as required by the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act), the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and other regulatory reporting obligations.

The Annual Report covers NHFIC's business activities, strategy, performance (including the Annual Performance Statement), governance, risk management, executive remuneration and financial statements. It presents the progress NHFIC has made during the financial year in achieving its purpose and performance objectives as outlined in the *Corporate Plan 2022–23*, in particular the improved housing outcomes NHFIC has delivered for Australians.

Further information about NHFIC's operating environment, strategic objectives and performance targets for the next four years is contained in the *Corporate Plan 2023–24*.

An online version of this report, as well as the Corporate Plan, are available on the NHFIC website at nhfic.gov.au The Annual Report is also available on the Australian Government's Transparency Portal at transparency.gov.au

Requests for more information and enquiries should be addressed to:

Chief Corporate Affairs Officer
Export House
Level 8, 22 Pitt Street
Sydney NSW 2000
Telephone: 1800 549 767
Email: inquiries@nhfic.gov.au

ABN: 22 498 714 570

@NHFIC_AUS

@national-housing-finance-and-investment-corporation

Acknowledgement of Country

NHFIC acknowledges the Traditional Owners of Country throughout Australia and recognises their continuing connection to land, waters, community and culture. We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Colour Bonding

Colour Bonding is an artwork created for NHFIC by Archibald Prize winning artist Blak Douglas. It was commissioned by NHFIC as part of our Reconciliation Action Plan journey.

This artwork encapsulates NHFIC's commitment to improving housing outcomes for Australians. The housing structures depicted in the artwork are simple but reflect that housing and a sense of home is a basic human need and fundamental to the wellbeing of all Australians.

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About NHFIC

NHFIC is a corporate Commonwealth entity established by the Australian Government to improve housing outcomes for Australians.

NHFIC provides long-term and low-cost finance and capacity building assistance to registered community housing providers (CHPs) to support the provision of more social and affordable housing. The organisation also lends, invests, and provides grants to help finance eligible infrastructure and housing projects needed to unlock and accelerate new housing supply. NHFIC supports eligible home buyers by administering government housing schemes that help them purchase their home sooner and undertakes data analytics and research that assists with the performance of its functions.

Since our establishment on 30 June 2018, NHFIC has:

Approved almost $3.4 billion in long-term loans to 38 CHPs, supporting 17,600 new and existing homes and saving these CHPs an estimated $630 million in interest and fees as well as other indirect costs associated with refinancing.

Issued 6 bonds, taking its total bond issuance to nearly $2.2 billion, including the largest social bond in Australia by an Australian issuer.

Approved $510.1 million in facilities covering critical and housing-enabling infrastructure, to unlock over 9,100 projected new dwellings and accelerate housing supply.

Helped over 100,000 Australians purchase a home sooner.

Published 3 State of the Nation's Housing reports into examining Australia's housing outlook and 12 research reports, relating to critical issues affecting the housing industry.

Highlights 2022–23

NHFIC's activities are intended to improve housing outcomes for Australians.

Affordable Housing Bond Aggregator (AHBA)

National Housing Infrastructure Facility (NHIF)

To support the provision of more social and affordable housing, and facilitate sustainable growth of the CHP sector, NHFIC:

- Approved $403.9 million of new loans to CHPs, supporting the delivery of 1,463 social and affordable dwellings.
- Provided CHPs with an estimated $82.4 million in interest and fee savings as well as other indirect costs savings recycled into the sector.
- Provided 14 capacity building program grants to assist CHPs develop their financial and management capabilities.

To increase, unlock and accelerate new housing supply, NHFIC:

- Developed a strong NHIF deal pipeline, with approved facilities of $102.7 million[1] to unlock up to 1,764 social and affordable dwellings.
- Rolled out the expanded NHIF, to allow funding for social and affordable housing in addition to housing-enabling infrastructure.

1. The reported figure includes the capitalised interest component of $4.6 million approved by the NHFIC Board.

Home Guarantee Scheme (HGS or Scheme)

To support eligible home buyers to purchase their home sooner and to facilitate access to the housing market, NHFIC:

- Released 51,113 places under the HGS which comprises the First Home Guarantee (FHBG), Family Home Guarantee (FHG), and Regional First Home Buyer Guarantee (RFHBG).
- Launched the RFHBG on 1 October 2022.
- Helped over 40,000 Australians purchase their first home through the FHBG and RFHBG.
- Helped over 1,500 Australian single parents purchase a home through the FHG.

Research

To support the monitoring of housing demand, supply and affordability, NHFIC:

- Published its third annual flagship State of the Nation's Housing report.
- Delivered five other research papers relating to critical issues affecting the housing sector, including an analysis of Australia's rental markets and a project that examined the demand and supply drivers of building cost inflation.
- Regularly delivered presentations at stakeholder events.
- Significantly increased its data analytics capability to improve business intelligence and support improved data insights.

NHFIC as a high-performing organisation

To deliver practices and outcomes of a high-performing organisation, NHFIC:

- Grew its team to 79 employees with diverse experience, expertise and backgrounds.
- Invested in technology, including automated and advanced data analytics capabilities and enhanced customer relationship management capability.
- Expanded the Scheme IT portal improving functionality for participating HGS lenders.

A message from the Chair and CEO

Carol Austin, Chair

Nathan Dal Bon, Chief Executive Officer

Since its establishment five years ago, NHFIC has continued to deliver on its purpose, providing more Australians with an opportunity to experience the safety, security and dignity of a place they can call home.

Housing affordability presents a critical challenge for our nation, with the economic and social wellbeing of the more vulnerable in society acutely impacted. In 2022–23, demand for Australian Government housing programs administered by NHFIC remained strong. Over 100,000 Australians have been helped into home ownership and 1,463 more social and affordable homes were facilitated through NHFIC finance. A further 1,764 homes were unlocked through supporting enabling critical infrastructure.

Conditions in the housing market and the broader economy continued to affect demand for NHFIC finance and home ownership support. In 2022–23, NHFIC operated in a period of rising interest rates, elevated residential construction costs and a tight labour market. After initially declining, dwelling prices stabilised in early 2023 and started rising in many major cities. Rental markets became much tighter and are expected to be further impacted by stronger immigration. In this challenging environment, we retained a clear focus on supporting vulnerable and low-income Australians through administering the HGS, AHBA and NHIF.

Implementing the Australian Government's expanded housing policy agenda

Over the year, NHFIC responded to dynamic market conditions and a changing policy landscape. Before its election, the Albanese Government announced its intention to broaden NHFIC's role, renaming it Housing Australia to administer new and expanded housing programs, subject to legislative changes.

NHFIC welcomes the Government's focus on increasing housing supply and improving housing affordability. We see the new and expanded housing programs as an opportunity to build on the positive social impact that NHFIC has already helped to create, in partnership with all tiers of government (including local), CHPs, faith-based entities, lenders, institutional investors (including superannuation funds), Indigenous housing groups, and private sector developers and construction companies. These programs recognise that the stability of a safe and secure home generates considerable benefits for vulnerable Australians. They do so through enhanced wellbeing, health and employment opportunities, and increased benefits for the nation resulting from greater participation in economic activities.

Following the October 2022–23 Budget, the NHIF's scope was expanded with up to $575 million of existing uncommitted funds made available to directly finance social or affordable housing. The Government also brought forward by three months the implementation date of a new RFHBG, to 1 October 2022. In addition, expanded eligibility criteria for the HGS were brought into effect on 1 July 2023, opening it up to more Australians, permanent residents and non-first home buyers. Also effective 1 July 2023, NHFIC's liability cap was increased from $5.5 billion to $7.5 billion to support further financing for social and affordable housing.

Preparing to facilitate further social and affordable homes

In addition to implementing these policy initiatives, in late-2022 NHFIC began preparatory work in readiness for its transition into Housing Australia to support the delivery of 30,000 social and affordable homes under the $10 billion Housing Australia Future Fund (HAFF) and 10,000 affordable homes under the National Housing Accord (Accord).

NHFIC also progressed discussions on these initiatives with states and territories. We have undertaken extensive stakeholder engagement, market soundings and other work to provide advice to the Australian Government. This included on the financial structuring and program design to deliver 40,000 homes across the HAFF and Accord, as well as supporting the establishment of a sustainable, investable asset class for social and affordable housing.

In February 2023, the Government introduced a Housing Legislative Package into the Parliament that included renaming NHFIC and establishing the HAFF. In September 2023 the legislation passed, although at the date of signing this Annual Report, the NHFIC Investment Mandate had not been updated to enable the commencement of the HAFF or the Accord.

NHFIC welcomes the passage of the Federal Government's Housing Legislative Package. We look forward to continuing to work closely with the Government and key stakeholders as we prepare to facilitate the delivery of 40,000 social and affordable homes under the HAFF and Accord.

2022–23 financial and operational performance

In 2022–23, NHFIC administered a range of Government housing programs that are making a meaningful difference to many Australians. We made further progress towards our strategic objectives and generated sufficient revenue to be financially self-sustaining and accumulate capital reserves.

AHBA finance to facilitate delivery of more social and affordable housing

Since its inception, NHFIC has approved almost $3.4 billion in funding for social and affordable housing through the AHBA. This is supporting the delivery of 8,284 new and 9,362 existing social and affordable dwellings and providing CHPs with an estimated $630 million of savings in interest payments, finance fees and other indirect refinancing costs over the term of the loans. These savings have increased the resources available to CHPs to invest in additional social and affordable housing and service to tenants.

During the reporting period, NHFIC's borrowing costs remained relatively high as financial markets reflected higher inflation and rising cash rates. In these market conditions NHFIC did not issue any new social and sustainable bonds. Although these conditions reduced demand for NHFIC finance, we approved $403.9 million in new loans in the period to facilitate the delivery of 1,463 new homes in New South Wales, Victoria and South Australia, with estimated savings to CHPs of $82.4 million.

Ahead of the tighter financial markets outlook, we were already implementing a strategy to develop more flexible and innovative finance solutions to meet the needs of the community housing sector. In October 2022, NHFIC approved a $300 million umbrella facility to SGCH and its investment partner AXA IM Alts. This ground-breaking agreement leverages institutional capital to deliver affordable housing at scale, under a replicable model.

NHIF loans and grants to support social and affordable housing and enabling infrastructure

NHFIC achieved a major milestone in the financial year, with approved NHIF loans and grants now totalling over $500 million. The NHIF fund has the potential to deliver over 12,000 new homes based on approved and potential pipeline opportunities. The additional $1 billion NHIF funding announced by the Government in September 2023 will provide further opportunities for housing to be financed.

In 2022–23, NHFIC received 13 NHIF applications, including nine for new and existing funding commitments and 4 letters of support for bidding parties in state procurement processes. The Board approved $102.7 million[2] in new NHIF facilities to support critical housing-enabling infrastructure projects. This funding will help unlock over 1,700 social, affordable and market dwellings.

HGS helping more home buyers into earlier home ownership

During the financial year, higher price caps were introduced, 5 new non-major lenders were added to the panel and the number of places for HGS expanded to 50,000. In 2022–23 alone, over 44,000 Australians were helped into home ownership, including 8,300 key workers and 5,300 single women. This achievement is only possible with the support of HGS participating lenders and a dedicated organisation that shares the Government's commitment to facilitate greater home ownership for those on modest incomes.

Following NHFIC's continued successful implementation of the Scheme, it was again expanded by the Government during the year. The RFHBG launched on 1 October 2022 with 10,000 places available to support first home buyers living and buying in regional areas. An additional major lender (Westpac Group) was appointed to the participating lender panel in the same month, to offer the Scheme from 1 July 2023. Also effective from 1 July 2023 was an expansion to Scheme eligibility criteria, including to permanent residents and those who have not owned a home in the past 10 years.

Research insights from advanced data and analytics

In 2022–23, NHFIC's research continued to stimulate robust and informed housing policy debate. We delivered five research papers, including a rental market analysis, and an assessment of international capital flows into social and affordable housing. We also published our third annual flagship *State of the Nation's Housing* report which provides projections of housing demand and supply and detailed assessments of affordability in major cities and regional areas.

The *State of the Nation's Housing* report was launched at a stakeholder forum attended by around 150 senior executives from the institutional investment and finance, property development and community housing sectors. The forum secured comprehensive broadcast, print and online media coverage. The keynote presentation was by the Hon Julie Collins MP, Minister for Housing, Minister for Homelessness and Minister for Small Business. The panel discussion canvassed issues such as housing supply, demand (immigration and trends in household formation), housing affordability, institutional investment into the housing sector, and global investment trends into housing.

In March 2023, the Community Housing Industry Association (CHIA) launched Australia's first environmental, social and governance (ESG) reporting standard for community housing. This will help attract institutional investment and establish an asset class based on social and affordable housing. The launch is the result of over 12 months of work by CHIA and a consortium of private and public sector partners including NHFIC.

During the financial year, the Government established an interim National Housing Supply and Affordability Council to take the lead on housing demand, supply and affordability research. We have already engaged with the Interim Council and anticipate it will be formalised following the recent passage of the Housing Legislative Package and given directions by the Government. We will support the Council as required and ensure we remain responsive to Government requests.

NHFIC's existing research capability will transition to focus on matters that assist current and future programs, including undertaking advanced housing data and analytics work.

2. The reported figure includes the capitalised interest component of $4.6 million approved by the NHFIC Board.

A collaborative approach to housing supply and affordability

In 2022–23, we continued to strengthen and expand our strategic partnerships and relationships with stakeholders who have a shared ambition to facilitate affordable housing opportunities for more Australians.

In the reporting period, we worked closely with all states and territories as they seek to develop and structure programs that will deliver new housing stock at scale for the community housing sector in their jurisdictions. In preparation for the HAFF and Accord, NHFIC undertook extensive market soundings with a wide range of stakeholders. These engagements were in addition to our ongoing involvement in peak industry body conferences and other forums, with NHFIC participating in over 66 events across the country.

A capable, trusted and responsive partner

Over the five years since its establishment, NHFIC has built a reputation as a solutions-oriented partner, with the expertise and capability to effectively administer the Government's housing programs.

With increasing responsibilities and additional growth, we further embraced innovation in technology to streamline our operations, increase productivity, enhance staff engagement and improve customer experience. In 2022–23, NHFIC recruited an additional 29 experienced executives and technical experts. We also actively planned for our projected growth over the next 12 to 18 months to enable us to deliver additional Government programs, subject to legislation and Investment Mandate amendments.

Building a high-performance organisation relies on embedding a culture that is purpose-driven and outcomes-focused. To support NHFIC's cultural journey, our values reflect what matters the most to our people and our stakeholders – respect, excellence, commitment and operating as one team. In February 2023, we were delighted to publish our first Reconciliation Action Plan (RAP), demonstrating our commitment to national reconciliation, and acknowledging that our purpose is to improve housing outcomes for all Australians. We are also pleased that our second annual employee engagement survey showed a highly engaged workforce who remain steadfastly committed to NHFIC's purpose.

NHFIC will continue to invest in people, technology and systems to ensure our operating model remains best practice for growth while managing credit, enterprise and operational risks.

Acknowledgements

On behalf of the Board, we acknowledge the contribution of former Chair Adrian Harrington and Director Phillip Barresi, who stepped down from their positions on 31 March 2023 and 31 May 2023, respectively. We also thank Teresa Dyson for acting as Chair in the three months before the appointment of Carol Austin on 5 June 2023. We extend a warm welcome to new directors Nigel Ray and the Hon Richard Wynne, who joined the Board on 1 June 2023.

We also thank our colleagues across all tiers of government, industry participants and CHPs, for their collaboration and commitment to working in partnership to tackle the housing challenges in this nation.

In closing, we express our sincere gratitude to NHFIC employees, who worked tirelessly and passionately in a changing operating environment to prepare for and deliver new housing initiatives that will augment our established programs. Together with all our stakeholders, we look forward to continuing to implement the Government's housing policies so that more people throughout Australia have a place to call home.

Signed for and on behalf of the members of the NHFIC Board in accordance with a resolution of the Board and in accordance with Section 46 of the Public Governance, Performance and Accountability Act 2013.

Carol Austin
Chair

Nathan Dal Bon
Chief Executive Officer

Signed 20 September 2023

Our purpose and activities

About NHFIC

NHFIC was established by the Australian Government under the NHFIC Act and is defined as a corporate Commonwealth entity under the PGPA Act.

In performing its functions, NHFIC is governed by the requirements and constraints of the NHFIC Act and the National Housing Finance and Investment Corporation Investment Mandate Direction 2018 (Investment Mandate). In addition, following the statutory review of the operation of the NHFIC Act, the previous government provided a Statement of Expectations in December 2021. NHFIC's Board responded with a Statement of Intent in February 2022.

NHFIC operates the AHBA, NHIF and HGS. It also conducts research into housing affordability in Australia and undertakes capacity building activities for registered CHPs.

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 Minister for Housing, Minister for Homelessness and Minister for Small Business, the Hon Julie Collins MP (Minister).

The Minister appoints the Board and may provide directions about the performance of NHFIC's functions through the Investment Mandate.

More information on NHFIC's governance is provided in the Governance section of this Annual Report.

Our purpose

To improve housing outcomes for Australians.

NHFIC achieves its purpose 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 eligible home buyers.

NHFIC does this by:

Providing loans to registered CHPs to support the provision of more social and affordable housing.

The AHBA provides loans to registered CHPs by aggregating their funding requirements and financing them primarily through the issuance of government guaranteed bonds in Australian domestic debt capital markets. This allows funding to be raised on a larger scale and on more favourable 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 lower interest loans and reduced 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, including the use of derivatives to help CHPs manage their financing risks.

AHBA loans may be used to acquire or construct new housing stock, maintain existing housing stock, assist with working capital requirements or general corporate requirements, refinance existing debts, or a combination of these purposes. 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 before 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 new bond or tapping an existing bond when a critical mass of such loans have been advanced.

Under the Investment Mandate, NHFIC cannot enter into a transaction which would result in its total guaranteed liabilities under the AHBA exceeding $5.5 billion (liability cap) without the prior agreement of the Minister and the Minister for Finance. The liability cap increased from $5.5 billion to $7.5 billion on 1 July 2023. The liability cap applies both to loans funded through NHFIC bonds or via the line of credit and imposes a limit on the scale of NHFIC's lending and bond issuance activities.

Providing finance for eligible infrastructure and housing projects to unlock and accelerate new housing supply

The purpose of the NHIF is to overcome impediments to the provision of housing that are due to the lack of necessary infrastructure, and to increase the availability of social and affordable housing. It does this by providing finance for eligible infrastructure and housing 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 NHIF supports critical infrastructure projects linked to new housing supply, particularly affordable housing, whether on the site or connecting to or linking to infrastructure. Examples include new or upgraded infrastructure for services such as electricity, water, sewerage, telecommunications, stormwater, or transport; and site remediation works including the removal of hazardous waste or contamination.

As part of the October 2022–23 Budget the NHIF's remit was expanded in 2022–23 with up to $575 million of existing uncommitted funds made available to directly finance social or affordable housing projects. This includes construction of new social and affordable housing stock, acquisition and conversion of housing stock to social and affordable housing, and mixed tenure developments subject to lending criteria. In September 2023, the Government announced an additional $1 billion to be invested in NHIF.

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

NHFIC limits concessions provided 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.

Providing support for eligible home buyers to purchase their home sooner

Under the HGS, part of an eligible home buyer's home loan from a participating lender is guaranteed by the Commonwealth through NHFIC. This enables an eligible home buyer to purchase a home with a deposit between 2% and 5% (depending on which Guarantee they obtain) without having to pay lenders mortgage insurance.

The HGS comprises these Guarantees:

- FHBG – launched 1 January 2020 and supports first home buyers and previous homeowners who have not owned a property in Australia in the last 10 years. There are 35,000 Guarantees available each financial year for eligible home buyers with a deposit as little as 5%.
- FHG – launched 1 July 2021 and supports single parents and single legal guardians with dependants, regardless of whether they are a first home buyer or a previous homeowner. There are 5,000 Guarantees available each financial year to 30 June 2025 for eligible home buyers with a deposit as little as 2%.

- RFHBG – launched 1 October 2022 and supports first home buyers living in regional areas, and previous homeowners living in regional areas who have not owned a property in Australia in the last 10 years, to purchase a home in a regional area. There are 10,000 Guarantees available each financial year to 30 June 2025 for eligible home buyers with a deposit as little as 5%.
- NHG – available in 2020–21 and 2021–22, specifically for first home buyers purchasing a newly built dwelling or building a new home. Its purpose was to support jobs in the residential construction sector and promote home ownership. The NHG closed to new applications on 30 June 2022. Existing Guarantees under the NHG continue to be managed by NHFIC under the HGS.

A guarantee is a legal arrangement between NHFIC and participating lenders to pay up to a certain amount owed by the home buyer if they default on their home loan and the sale of the property is insufficient to cover the lender's outstanding loan. It is not a cash payment or deposit for the home loan.

Eligibility requirements apply to the HGS, including deposit requirements, caps on taxable income and property price caps set by the Australian Government.

NHFIC operates the HGS through a panel of residential mortgage lenders across Australia.

Conducting research into housing affordability in Australia

NHFIC undertakes research into housing demand, supply, and affordability in Australia, consistent with its obligations under the Investment Mandate.

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

Research work also involves engaging with a broad range of stakeholders across the housing sector. Engagement is designed to identify problems with a view to undertaking practical and relevant research and elevating important policy issues that can help influence key decision makers on housing matters and deliver better housing outcomes.

NHFIC's research work program is supported by the Research Board Reference Committee and an expert panel of academics, industry and public policy professionals.

In early 2023, an interim National Housing Supply and Affordability Council was appointed to inform all levels of government on how to improve housing supply and affordability. Representation is from key sectors including CHPs, property, banks, superannuation funds, institutional investors, construction, legal, and the public sector. It is anticipated that the interim National Housing Supply and Affordability Council will be formalised, following the recent passage of legislation, and given directions by the Government to take the lead on housing demand, supply and affordability research.

Considering these potential changes, NHFIC is examining its data and analytics requirements, as part of its evolving business responsibilities. This will include alignment with Government expectations around reporting outcomes and efficient delivery of program objectives, so NHFIC remains responsive to Government requests and continues to engage with key stakeholders.

Providing grants for capacity building services to assist CHPs in applying for NHFIC finance

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 it will enter contracts to procure these services.

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 to support a finance application. Services can be in the areas of finance, business planning, property development and risk management. 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.

Annual Performance Statement

for the year ended 30 June 2023

Annual Performance Statement

for the year ended 30 June 2023

Introductory statement

I, Carol Austin, Chair of the accountable authority, the Board of the National Housing Finance and Investment Corporation (NHFIC), present the 2022–23 Annual Performance Statement of NHFIC, as required under section 39 of the PGPA Act.

In my opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with relevant sections of the PGPA Act.

Carol Austin
Chair
National Housing Finance and Investment Corporation

Our performance framework

NHFIC's performance measures align with its mandate and purpose and have been designed to provide holistic information on the achievement of outcomes through the organisation's key activities.

As outlined in the *Corporate Plan* 2022–23, NHFIC's performance framework includes measures relating to additionality[3] for which targets are not set. In these cases, NHFIC reports outcomes in its Annual Performance Statement to complement the other performance measures where it is reasonably practicable to set meaningful targets.

NHFIC's performance framework meets the requirements of section 16E of the Public Governance, Performance and Accountability Rule 2014.

3. Additionality in this context refers to whether NHFIC's programs and activities result in 'improved housing outcomes' over and above what would be delivered without NHFIC's contribution.

Annual Performance Statement summary

Table 1: 2022–23 outcomes mapped against performance measures with targets

Activity	Performance measure	Target	Result
Operation of AHBA – loans	New AHBA loans approved by NHFIC Board not to exceed $5.5 billion[1] liability cap	$300m–$500m	$403.9m
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: *Corporate Plan 2022–23*, page 22.		
	Minimum percentage of new AHBA loans approved by NHFIC Board for supply of new housing	50%	100%
	Methodology: Analysis of information provided in AHBA loan applications.		
	Source: *Corporate Plan 2022–23*, page 22.		
Operation of AHBA – bond issuances	Number of bonds issuances	1–2	No NHFIC bonds issued in 2022–23
	Methodology: Independent verification by the Australian National Audit Office (ANAO) from source records which reconcile to financial statements.		
	Source: *Corporate Plan 2022–23*, page 23.		
	Value of bonds issued	$200m–$400m	Nil[2]
	Methodology: Independent verification by the ANAO from source records which reconcile to financial statements.		
	Source: Corporate Plan 2022–23, page 23.		
	Percentage of issued bonds certified as meeting NHFIC's Sustainability Bond Framework	100%	Not applicable[2]
	Methodology: External assurance on bond issuances.		
	Source: *Corporate Plan 2022–23*, page 23.		
Support for capacity building	Number of individual CHP and sector-wide capacity grant applications approved	6–10	14
	Methodology: Analysis of agency records including CHIA quarterly reports.		
	Source: *Corporate Plan 2021–22*, page 27.		
	Satisfaction with consulting project and outcomes of using capacity grant	CHPs satisfied	CHPs satisfied
	Methodology: Survey of CHPs with completed projects.		
	Source: *Corporate Plan 2022–23*, page 27.		

1. The liability cap increased from $3.5 billion to $5.5 billion in October 2022. Further increases to the liability cap occurred post the reporting period and are therefore not reflected in the Annual Performance Statement.
2. No NHFIC bonds were issued in 2022–23.

Activity	Performance measure	Target	Result
Operation of NHIF	New NHIF facilities approved by NHFIC Board	\$100m – \$300m	\$102.7m
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: *Corporate Plan 2022–23*, page 24.		
	Number of NHIF applications received	7	13
	Methodology: Analysis of agency records including pipeline reports provided to the NHFIC Board.		
	Source: *Corporate Plan 2022–23*, page 24.		
	Application turnaround time from receipt of NHIF application to NHFIC Board approval	60 days	35 days
	Methodology: Analysis of average time taken to process applications.		
	Source: *Corporate Plan 2022–23*, page 24.		
Operation of HGS	Facilitate the release of guarantees to participating lenders: • FHBG • FHG • RFHBG[4]	 35,000 5,000 10,000	 36,113[3] 5,000 10,000
	Methodology: Analysis of data from the HGS IT Portal.		
	Receipt of lender audit reviews and lender six-monthly reporting of material policy changes	100%	100%
	Methodology: Analysis of agency records including lender reporting.		
	Source: *Corporate Plan 2022–23*, page 25.		
Research into housing affordability	Research delivered according to Board approved pipeline including scope and timeframe	100%	100%
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: *Corporate Plan 2022–23*, page 26.		
	Satisfaction with research output	Stakeholders satisfied	Stakeholders satisfied
	Methodology: Annual survey of housing stakeholders.		
	Source: *Corporate Plan 2022–23*, page 26.		

3. Includes the 1,113 unissued FHBG places from 2021–22 rolled over as per the direction from the Minister, effective from 24 November 2022.
4. The RFHBG launched on 1 October 2022 with 10,000 places available in 2022–23.

Table 2: 2022–23 outcomes for performance measures where targets were not set

Activity	Performance measure	Reported 2022–23	Cumulative
Operation of AHBA – loans	Number of dwellings supported by new AHBA loans	Table 3	Figure 3
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: Corporate Plan 2022–23, page 23.		
	Interest savings to CHPs from the provision of concessional loans	$82.4m	$630m
	Methodology: Analysis of information provided in AHBA loan applications.		
	Source: Corporate Plan 2022–23, page 20.		
Operation of AHBA – bond issuances	Number and percentage (by value of bonds allocated) of investors onshore and offshore	Not applicable[2]	Onshore investors: (90%) Offshore investors: (10%)
	Methodology: Independent verification by Joint Lead Managers of the bond issuance.		
	Source: Corporate Plan 2022–23, pages 23.		
	Issuance spread to the comparable Commonwealth Government Security and relevant state government yields	Table 5	–
	Methodology: Independent verification by Joint Lead Managers of the bond issuance.		
	Source: Corporate Plan 2022–23, page 23.		
Support for capacity building	Number of individual CHP capacity grant applications approved	Table 6	Table 6
	Methodology: Analysis of agency records including CHIA quarterly reports.		
	Source: Corporate Plan 2022–23, page 27.		
	Number of sector-wide capacity grant applications received	Table 7	Table 7
	Methodology: Analysis of agency records including CHIA quarterly reports.		
	Source: Corporate Plan 2022–23, page 27.		
Operation of NHIF	Number of dwellings supported by new NHIF facilities	Table 8	Figure 4
	Methodology: Analysis of information provided in NHIF loan applications.		
	Source: Corporate Plan 2022–23, page 24.		
	Aggregate value of Permanent Fund	Deployed: $83.8m Not deployed: $776m	–
	Methodology: Independent verification by the ANAO from source records which reconcile to financial statements.		
	Source: Corporate Plan 2022–23, page 24.		

Activity	Performance measure	Reported 2022–23
Operation of HGS	Number of homes purchased by first home buyers and single parents under the Scheme	Page 42
	Methodology: Analysis of data from the HGS Portal.	
	Source: *Corporate Plan 2022–23*, page 25.	
	Average purchase price relative to property price caps	Table 10
	Methodology: Analysis of data from the HGS Portal.	
	Source: *Corporate Plan 2022–23*, page 25.	
	Number of panel lenders	Table 11
	Methodology: Analysis of agency records.	
	Number of loans in arrears and amount of those in arrears	Page 44
	Methodology: Analysis of agency records including portfolio management reports.	
	Source: *Corporate Plan 2022–23*, page 25.	
	Number and value of claims against the Commonwealth guarantee	0 claims
	Methodology: Analysis of agency records including claims submitted to Treasury.	
	Source: *Corporate Plan 2022–23*, page 25.	
Research into housing affordability	Other activities that encourage better housing policy outcomes, including policy webinars, industry, and government round tables	Page 59
	Methodology: Analysis of agency records including reporting to the NHFIC Board.	
	Source: *Corporate Plan 2022–23*, page 26.	
Organisational resilience and responsiveness	Stakeholder engagement to raise NHFIC's profile and enhance its reputation	Page 60
	Methodology: Analysis of agency records including reporting to the NHFIC Board.	
	Source: *Corporate Plan 2022–23*, page 28.	
	Highly experienced, skilled, and diverse workforce to enable NHFIC to deliver its functions	Page 62
	Methodology: Analysis of agency records including workforce data.	
	Source: *Corporate Plan 2022–23*, page 28.	

Supporting the delivery of new social and affordable homes

Affordable Housing Bond Aggregator

CHP approved loans at almost $3.4 billion

The AHBA continued to facilitate and contribute to the growth of the community housing sector, enabling the supply of additional new social and affordable housing.

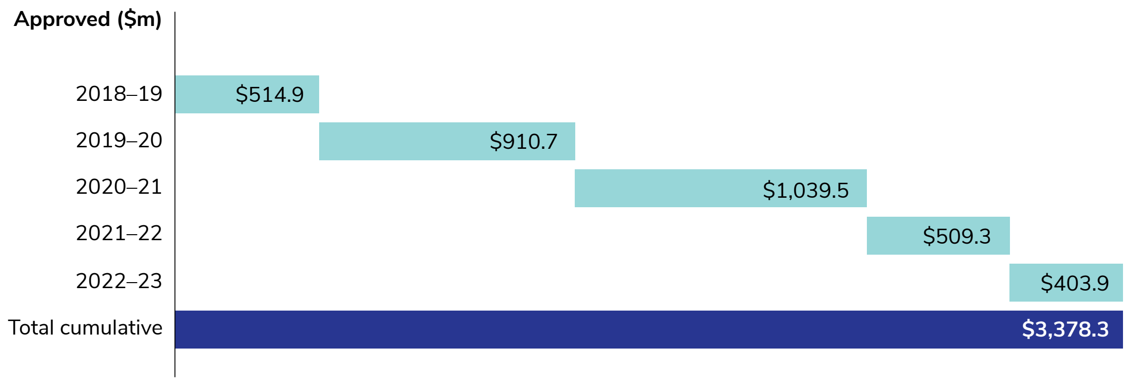
A total of $403.9 million of AHBA loans were approved by the NHFIC Board in 2022–23, supporting the delivery of 1,463 new social and affordable dwellings (Table 3). Approved loans are for construction and project finance across New South Wales, Victoria and South Australia.

Table 3: NHFIC approved AHBA loans to CHPs in 2022–23

State	Loan value ($m)[1]	New dwellings supported[2]
NSW	370.0	1,162
Vic	25.9	285
SA	8.0	16
Total	**403.9**	**1,463**

1. Pending financial close.
2. Dwelling information provided by CHPs at time of loan application.

Figure 1: Change in overall CHP lending[1]



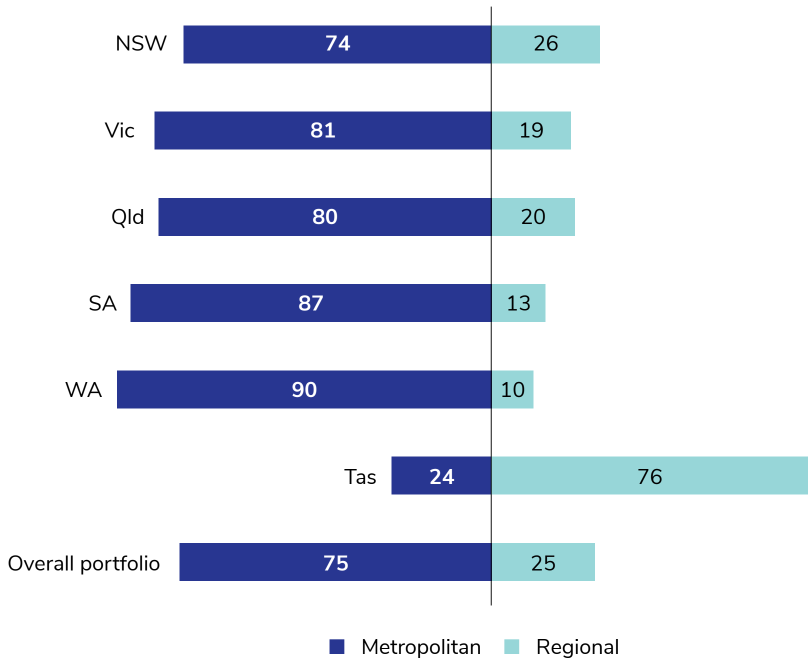
1. Due to confidential amendments and/or variations to AHBA facilities approved before 1 July 2022, reported approvals are expected to show a slight variance in comparison to the *NHFIC Annual Report 2021–22*.

NHFIC's total AHBA loan portfolio reached just under $3.4 billion of approved loans as at 30 June 2023 (Figure 1), supporting the delivery of 8,284 new and 9,362 existing social and affordable dwellings since inception.

By providing CHPs with access to low-cost and longer-tenor loans, the AHBA is estimated to deliver savings to CHPs from approved loans of $82.4 million in 2022–23 and $630 million to date in interest payments and finance fees over the term of the loans as well as other indirect costs associated with refinancing.

A location-based breakdown of dwellings supported by NHFIC's lending portfolio as at 30 June 2023 is in Figure 2.

Figure 2: AHBA total loan portfolio, dwellings split by metropolitan and regional (%)



Metro/rural distribution is derived from NHFIC's collateral register as at 30 June 2023, and is based on the Australian Statistical Geography Standard Geographic Correspondences from 2016: https://data.gov.au/dataset/ds-dga-23fe168c-09a7-42d2-a2f9-fd08fbd0a4ce/details Note: The ACT was not included due to low sample size.

Simone, a resident of BlueCHP Limited

Low-income households struggle to find affordable homes in the private rental market. As a result, those involved may be forced to live with friends or family, in their cars or on the street.

BlueCHP Limited

NHFIC has provided BlueCHP Limited with an $80 million umbrella facility to support their participation in the Queensland Government's Partnering for Growth initiative and finance the development of 80 new apartments for social housing residents.

Spread across two sites in Lutwyche and Windsor in Queensland, the apartments provide homes for some of the most vulnerable households from the state's housing register, including single-parent families with a child under 12 years of age.

Completed during the year, the Lutwyche project comprises 38 two-bedroom apartments and the Windsor project 42 two-bedroom apartments, each with a private balcony or patio, communal open spaces and secure parking. The two apartment complexes are located within 10 minutes of Brisbane's central business district, with easy access to public transport, primary and secondary schools, local parks, sporting facilities and employment opportunities.

L–R Housing by BlueCHP Limited, Windsor; Lutwyche resident Simone; The Hon Julie Collins MP, Jimmy Sullivan MP and Charles Northcote CEO, BlueCHP Limited, opening the Windsor development.

'I never thought that homelessness would happen to me or my family. Divorce, chronic illness, and natural disasters can happen to any of us.'

Forced to sell the family home following a divorce, single working parent Simone faced a challenging rental market. She was lucky to have a long-term rental for many years but eventually the owners chose to sell. Simone had recently been diagnosed with a disability and could no longer work due to chronic pain and severe loss of mobility from rheumatoid arthritis.

Living on a limited income, Simone secured another home due to an excellent rental history and the decision to rent her spare room to contribute to the increase in rent. The rent was raised at the end of the lease, and Simone was forced to put her possessions into storage and stay with family members while searching for affordable accommodation.

Not long after, Simone's community experienced devastating floods, and she lost everything in storage. At the same time, the rental market was further decimated with many homes unliveable.

Simone applied for social housing and engaged with HART4000, a homelessness community organisation.

Simone moved to a new two-bedroom apartment in Lutwyche, Queensland, where the rent was based on a percentage of her income which meant it was affordable.

'When I first opened the door to the unit, I cried tears of relief and joy. I was moving into a brand-new home that I could afford, and my son and I would be a family again.

'I have been able to focus on improving my physical health, establishing relationships with local medical professionals, and working towards improving my fitness. I am working towards returning to part-time employment. My son is enrolled at TAFE, and we have made new friends in our building.

'My son and I have hope for a brighter future, and that would not be possible if we had not been able to access affordable housing. Being able to finally enjoy stable, affordable housing again, I know my son and I will go on to thrive as active members of our new community,' said Simone.

Table 4: AHBA approved lending by type, year on year[1]

	2018–19		2019–20		2020–21		2021–22		2022–23	
	$m	%	$m	%	$m	%	$m	%	$m	%
Refinance of term debt	271.7	53	513.3	56	279	27	148	29	0	0
Working capital for new supply and acquisition	197.5	38	245.3	27	127.6	12	244.8	48	0	0
Construction/project finance	45.7	9	152	17	632.9	61	116.5	23	403.9	100
Total	**514.9**	**100**	**910.6**	**100**	**1039.5**	**100**	**509.3**	**100**	**403.9**	**100**

1. Due to confidential amendments and/or variations to AHBA facilities approved before 1 July 2022, reported approvals are expected to show a slight variance in comparison to the *NHFIC Annual Report* 2021–22.

NHFIC'S pipeline of construction projects

Client: SGCH
Project: 3 Farmhouse Road, Westmead NSW
Builder: Deicorp
Dwellings: 397
Contract value: $180m

Client: CityWest
Project: 895–901 Bourke St, Waterloo NSW
Builder: Growthbuilt
Dwellings: 74
Contract value: $44.9m

Evolving pipeline of construction projects

NHFIC's construction loan portfolio expanded in 2022–23 with work starting on 10 new projects. These projects will see 9 builders deliver 1,220 homes across 3 states with a total contract value of $322.4 million.

In total, the pipeline of construction projects supported by NHFIC finance is at $1.85 billion and will deliver more than 5,200 dwellings when complete.

L–R Ken Yamamoto Associate Director, NHFIC, Leonie King, CEO, City West Housing, Michelle Barron, CFO, City West Housing, and Alison Sawers, Deputy General Counsel, NHFIC.

Innovative finance to grow the housing sector

During the year, AHBA loans were provided to registered CHPs for construction and cashflow finance and to fund new development projects and more complex transactions (Table 4). All AHBA loans supported new housing supply. Transaction volumes continue to enable NHFIC to generate sufficient revenue to be financially self-sustaining and strengthen the accumulation of reserves.

Establishing a long-term strategic partnership with SGCH and AXA IM Alts

In 2022–23, NHFIC announced its first institutional partnership with SGCH and its investment partner AXA IM Alts, to deliver 1,000 affordable and market build-to-rent dwellings over a two-year period at Westmead, Western Sydney. This ground-breaking agreement leverages institutional capital to deliver affordable housing at scale, under a replicable and scalable model without the need for a government subsidy. NHFIC has provided a loan of approximately $150 million with co-funding from AXA IM Alts, under the first stage of a total umbrella facility of $300 million. SGCH will manage the housing delivered under the partnership.

L–R SGCH/AXA sod turn, Westmead NSW, with the Hon Julie Collins MP, and Dr Andrew Carlton MP.

Rental affordability is a challenge for ‘key workers’ – teachers, nurses, care workers and police – as private market rents have increased.

AXA cements support for build-to-rent in Australia

GLENDA KORPORAAL

Global investment giant AXA Investment Managers is set to step up its investment in the emerging build-to-rent market in Australia, according to the global head of AXA IM Alternatives, Isabelle Scemama.

Ms Scemama said the group – which launched its build-to-rent strategy in Australia in November with a deal with the National Housing and Finance Investment Corporation (NHFIC) and St George Community Housing for 350 affordable dwellings in western Sydney – was keen to bring its expertise to Australia.

AXA IM Alts is the largest investor in real estate in Europe and the ninth largest in the world, with $285bn in assets.

"We are convinced of this specific opportunity in the build-to-rent market in Australia, particularly affordable BTR residential assets," Ms Scemama said.

"This is where we are focused on (in Australia). It is where we see the market lacking, compared to what is happening in Europe."

Her comments come as the federal government has acknowledged the importance of the build-to-rent market as a way to relieve the housing crisis, particularly for lower income workers.

The sector, which is highly developed in Britain, Europe and the US, has lagged in Australia until recently because of traditionally high levels of home ownership.

But with rising house prices taking home ownership out of the reach of many younger Australians, a shortage of rental housing and migration increasing, the built-to-rent market is set to expand to meet the demand at the lower end of the market.

NHFIC has estimated that there will be a shortfall of some 106,000 dwellings by 2027, with cities like Brisbane and Sydney having shortages of more than 10,000 dwellings each within the next five years.

The government moved to encourage the sector in last week's budget by halving the withholding tax for build-to-rent developments from 30 to 15 per cent, and increasing the depreciation rate for BTR properties from 2.5 per cent to 4 per cent a year.

Under the budget measure, the apartment buildings will have to be retained under single ownership for at least 10 years and have to offer tenants leases of at least three years.

Anthony Albanese, who has set a goal of building a million homes over five years from 2024, said the build-to-rent budget measures would provide the private sector with "incentives to engage in housing supply".

Ms Scemama said the government's incentives were a good idea but AXA IM had made its decision to invest in the market well before the budget, based on its fundamental attractions as an emerging asset class in Australia.

"Our experience of the market in Europe convinces us that there

Continued on Page 16

AXA backs build to rent in Australia

Continued from Page 13

is a great opportunity in Australia," she said.

"The market does not exist in Australia and there is a serious case to take part in what is a very attractive opportunity."

AXA IM has some $8bn in property investments in Australia across more than 40 projects.

The company sees the increasing cost of living and higher interest rates pushing more ordinary Australians out of the home ownership market towards more long-term renting, as is more common in Britain and Europe.

AXA's deal with NHFIC and community housing provider St George, for some 350 social and affordable dwellings, was the first time a community housing provider in Australia had been able to link up with a major private institutional investor to deliver a large scale project.

NHFIC, which is providing a $300m facility for the partnership with AXA and St George, was given increased scope to operate in the budget, with the federal government lifting its borrowing potential by $2bn to $7.5bn, which the government estimates will help fund the construction of another 7000 low-income dwellings.

Ms Scemama said AXA IM had singled out Australia and Japan as the two markets to invest in the region.

She said Australia offered a transparent, liquid and professional property market that was attractive for major investors of capital like AXA IM.

"Australia is a transparent, developed, liquid market which is a large enough market for us to matter and be scalable."

Ms Scemama said AXA IM has been reducing its exposure to the commercial office block market around the world over the past five years and increasing its exposure to the residential market, including the affordable housing market.

"We like residential," she said. "We have a strong conviction

The Australian, 15 May 2023

Support for consortium finance in Melbourne

NHFIC supported 3 participating consortiums with their finance proposals as part of the Victorian Government's Ground Lease Model 2 (GLM2) public-private partnership procurement program in 2022–23. This large-scale program targets the development of 1,400 social, affordable and specialist disability homes across metropolitan Melbourne.

New ESG reporting standard to measure the sustainable performance of community housing and drive expansion.

Table 5: NHFIC fixed-rate bond issuances against the Australian Commonwealth Government Bonds

Issue date	Tenor (years)	Yield (%)	Price above ACGB benchmark (bps)
28 March 2019	10	2.38	+48.3
27 November 2019	10.5	1.52	+37.8
29 June 2020	12	1.41	+38
2 June 2021	15	2.335	+21.7
15 June 2021	10	1.74	+21.5
28 March 2022[1]	12 (10.25 remaining)	3.14	+34.6
30 June 2022[2]	15 (14 remaining)	4.725	+58.4

1. The bond issuance on 28 March 2022 was an increase to NHFIC's existing 12-year bond originally issued on 29 June 2020.
2. The bond issuance on 30 June 2022 was an increase to NHFIC's existing 15-year bond originally issued on 2 June 2021.

A leading issuer of social bonds

NHFIC is a leading Australian issuer of social and sustainability bonds aligned with the United Nations Sustainable Development Goals and International Capital Market Association sustainability bond principles.

The organisation issues social and sustainability bonds to fund AHBA loans to registered CHPs for social and affordable housing. In 2022–23, NHFIC did not issue new bonds. This outcome was driven by a range of factors including macroeconomic factors such as higher interest rates and increased construction costs. These had an impact on the feasibility of housing projects and moderated demand for AHBA loans.

NHFIC is increasingly financing new construction projects and over time expects to issue more sustainability bonds.

NHFIC has a strong pipeline of AHBA loans and expects to return to the debt capital markets in 2023–24 with the issuance of a new social or sustainability bond.

Market volatility and bond pricing

Financial market conditions changed materially during the first half of 2022. Interest rates increased during the year as financial markets priced in higher inflation. Consequently, bond yields and risk premiums increased lending to higher borrowing costs for NHFIC and, therefore, the interest rates on finance NHFIC can offer to the CHP sector. While these factors remain in focus, a level of stability has returned to financial markets and risk premiums including the margin on NHFIC bonds compared to the equivalent Australian Commonwealth Government Bonds (ACGBs) have returned toward longer run averages (Table 5).

ESG reporting standard for the Australian community housing sector

In April 2022, CHIA commissioned a new reporting standard tool for measuring, managing, reporting and interpreting community impact generated by the Australian community housing sector. The result is the first edition of the ESG reporting standard for Australian community housing, developed for, and by, the sector. The initiative was funded by NHFIC, private sector organisations and contributing CHPs.

This industry specific framework puts Australia at the forefront of ESG reporting for the sector globally and will provide institutional investors with ESG information, which can be a key consideration when making investment decisions in any asset class.

On 16 March 2023, CHIA launched the ESG reporting standard. NHFIC continues to support the initiative through the implementation phase and has contributed financially through the Capacity Building Program.

CHIA launch of the ESG reporting standard for Australian community housing

Melbourne, 16 March 2023

L-R Wendy Hayhurst, CEO, CHIA, the Hon Julie Collins MP, Debby Blakey, CEO, HESTA.

Nathan Dal Bon, CEO, NHFIC, addresses guests.

Guests attending the launch.

'NHFIC is proud to support the ESG reporting standard and partner with CHIA to promote a better understanding of the value that well-built and managed social and affordable rental housing can bring to the community and the economy. This initiative will encourage deeper investor interest, providing further foundations to build social and affordable housing as a viable asset class in Australia.'

Nathan Dal Bon, CEO, NHFIC

Access to good quality, affordable housing is fundamental to individual wellbeing, and a well-functioning society.

Arezo, a resident of BaptistCare

BaptistCare

NHFIC has provided approximately $214 million in funding to BaptistCare NSW & ACT to support their participation in the NSW Government's Social and Affordable Housing Fund (SAHF) program, to deliver 500 new social and affordable dwellings across eight development sites. Gimbawali Place in Carlingford is the final stage of BaptistCare's NSW SAHF program to be delivered, with NHIFC providing approximately $70 million in AHBA loans to the CHP.

Constructed during 2021 to 2023, the development at Gimbawali Place features 162 one, two and three-bedroom apartments, a children's playground, underground parking, a community centre and rooftop area, and several sustainable building initiatives to ensure resident utility bills are reduced.

Accommodation is designated for people over 55 years of age who are experiencing housing stress and for single-parent families, where access to affordable housing is critical to the parent maintaining employment or entering the workforce.

Residents have access to a suite of wrap-around support services including, counselling, group programs and chaplains, no interest loans, and aged care services.

'This is the best thing that has ever happened to me as a single mother.'

Studying fulltime and caring for her mother with a disability meant Arezo, a single mother, was unable to work to support herself and her son. At the same time, she faced increasing rents.

'After separating from my partner in 2018, I applied for housing. I was struggling financially and after contacting the local housing office to seek help, I was told to move out of the city and live in a cheaper suburb. I was in tears and did not contact anyone else for help.'

Arezo remained on the social housing register and, after meeting its eligibility criteria, BaptistCare allocated her a home. Arezo and her son recently moved into the newly opened BaptistCare Gimbawali Place in Carlingford.

'BaptistCare staff are extremely friendly and supportive. My son and I have been incredibly happy and relaxed since moving into our new place. We feel safe and love living in Carlingford. My life has changed for the better in so many ways – I am not stressed anymore,' said Arezo.

L–R Ribbon cutting by Anne Low, BaptistCare Member, the Hon Rose Jackson MLC, Arezo, and Robert Dunn, BaptistCare Chair; Resident Arezo; BaptistCare Gimbawali Place, Carlingford.

Social Bond Report

NHFIC published its fourth Social Bond Report in October 2022 as part of its ongoing reporting of social and sustainability outcomes to investors. The report includes profiles of the five CHP borrowers funded through the issuance of NHFIC bonds in 2021–22 across New South Wales, Victoria and Queensland. It also includes details of the use of proceeds for all six NHFIC bonds on issue.

The report connects investors with insights into CHPs and expected outcomes of the loans. It shares stories of tenants whose lives are improved by the work of CHPs supported by NHFIC finance. Also included is new research analysis revealing that tenants living in community housing feel more secure, and have improved financial, employment and health outcomes.

ALP's housing plan gives social bonds a boost

GLENDA KORPORAAL

The nascent social bond market is set to be given a major boost in the wake of the federal government's moves to encourage more investment in the sector, according to the chief executive of the National Housing Finance and Investment Corporation, Nathan Dal Bon.

In an interview, Mr Dal Bon said the government's plans to encourage the development of some $20bn in social and affordable housing through a range of financing options would provide an impetus for the market and for ESG-related financing in Australia.

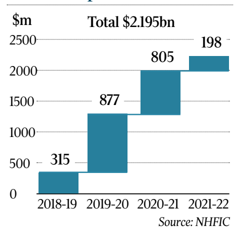
The NHFIC – set to be renamed Housing Australia – is the only local issuer of social bonds.

It has issued $1.8bn worth of bonds, which have been used to invest in community housing projects, and another $400m in sustainability bonds over the past few years. Cbus, the construction industry fund, has bought $150m worth of bonds issued by the organisation.

The Asian Development Bank is the largest single issuer of Australian-dollar social bonds.

Social bond funds are exclusively applied to eligible projects, in line with principles set down by the International Capital Markets Association. Sustainable bonds are those where the financing can be used for a mixture of social and green projects. They are part of a broader categories of ESG-related bonds, a global market estimated by Moody's to be worth more than $US1.3 trillion ($2 trillion).

NHFIC bond issuance since inception



'Interest has been growing over the past four years'

NATHAN DAL BON
NHFIC CEO

The NHFIC has been charged with the delivery of 40,000 new social and affordable homes, including 30,000 from the $10bn Housing Australia Future Fund and another 10,000 under the new housing accord announced in the recent federal budget.

Cbus chief executive Justin Arter said the establishment of the HAFF would be "another leg up in the development of this asset class" in Australia.

"What we are getting from our members is that we should invest widely for their retirement but also in a constructive manner in ESG-related projects," Mr Arter told The Australian.

Mr Dal Bon said the challenge of creating a new asset class in Australia for financing social and affordable housing was coming at a time when super funds were under increasing pressure to look for ESG-related investments.

"We have seen a strong focus on ESG by institutional investors, including those rated either sustainable or social," he said.

"Interest has been growing over the past four years (since NHFIC started issuing its bonds), and we are expecting it to intensify," he said. "We have been working with a range of stakeholders, including super funds, in terms of how we can structure the financing to enable the delivery of those 40,000 houses.

"We all share an objective in trying to build a new asset class in Australia which can help develop the social, affordable and community housing sector."

Mr Dal Bon said it would take some time to develop financing and investment options to raise the money for the government's housing investment goals.

The NHFIC's annual report, released on Friday, shows it issued $198m in new bonds over the past year. The funds went to five community housing providers, supporting the delivery of 3300 social and affordable homes.

The agency approved loans of more than $500m to community housing providers over the year.

But its ability to attract investments from super funds, both through bonds and potential debt financing, also depends on having a predictable pipeline of projects which can create a stream of investment opportunities generating commercial returns.

The Australian, 11 November 2022

Broadening market participation to fund new housing supply

NHFIC continues to strengthen relationships across the spectrum of financing to both leverage in alternative financiers and provide innovative solutions to funding new housing supply for CHPs.

The organisation has strengthened relationships with financial institutions through encouraging innovation and opportunities for participation on projects that deliver social and affordable housing outcomes. Research and data insights will be used to help drive change. NHFIC also sought opportunities to bring stakeholders together, including senior debt lenders, mezzanine, private developers, builders, and equity funders.

This collaboration helps introduce additional financers and other partners to play a role alongside NHFIC towards the financing of new projects including construction finance, term debt, and subordinated debt solutions.

An example of NHFIC partnering with alternative financiers is the GLM2 program (page 27).

NHFIC also engaged with several state and territory governments, working constructively on initiatives that complement, leverage or support Commonwealth, state or territory government activities relating to housing (Figure 3).

Figure 3:

Partnering with states and territories totals to date[1]

$3,378m
Total AHBA loans approved

38
Total CHPs supported

17,646
Total dwellings supported by AHBA loans

1. Due to confidential amendments and/or variations to AHBA facilities approved before 1 July 2022, reported approvals are expected to show a slight variance in comparison to the *NHFIC Annual Report 2021–22*.

WA

- Provided 4 CHPs with letters of comfort supporting their bids for State Government programs with an estimated project value of over $300 million.

NT

- NHFIC is a member of the housing advisory committee to the NT Government aiming to deliver a potential major housing renewal project in Darwin.

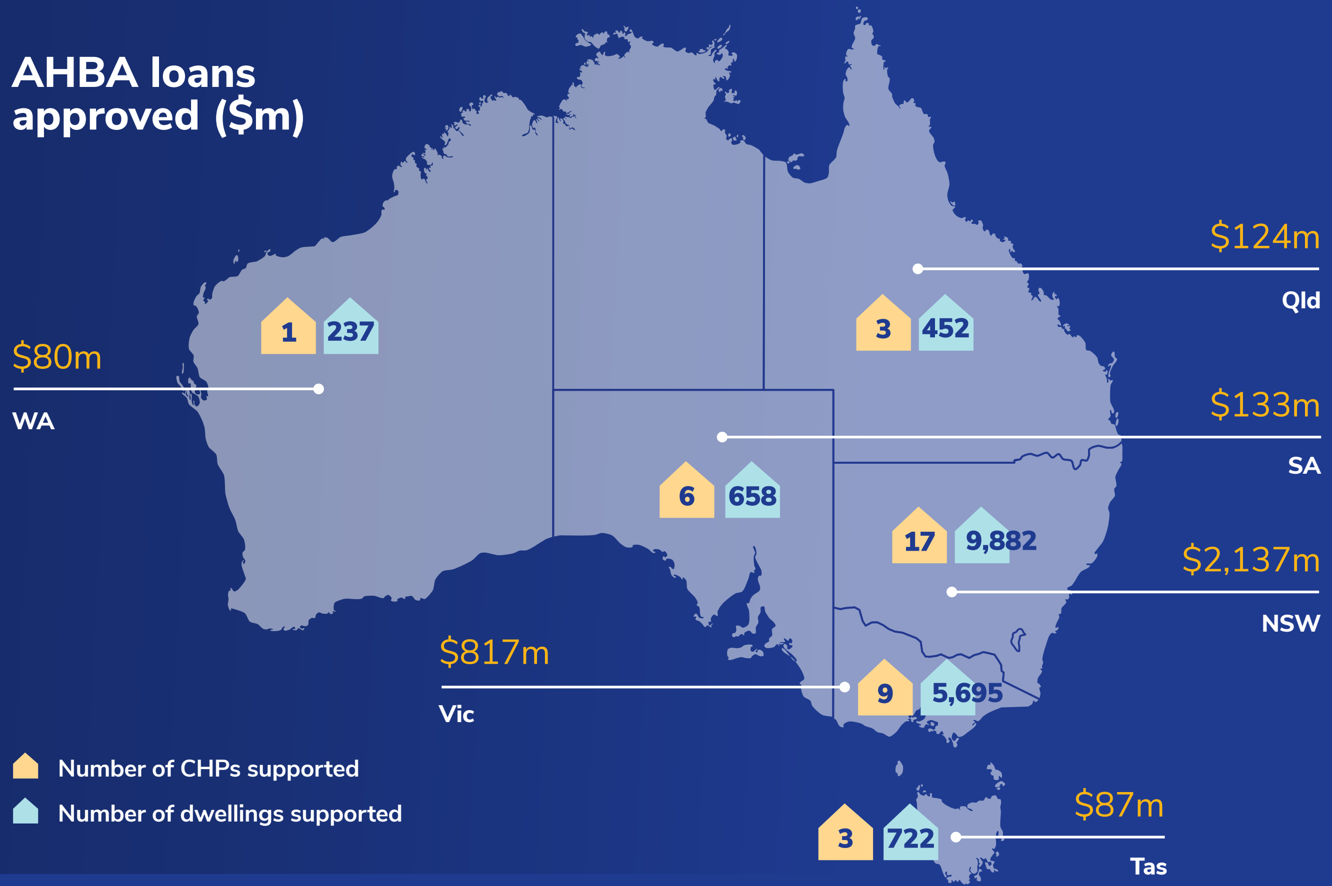
Qld

- Provided letters of comfort to CHPs in Queensland supporting over $1 billion in projects to aid their participation in Queensland's Housing Investment Fund and QuickStarts programs.
- Participated in housing roundtable workshop supporting the state's housing initiatives.

NSW

- Approved $370 million in AHBA transactions including NHFIC's first institutional partnership to deliver 350 build-to-rent homes for key workers in Westmead.
- Provided letters of support for shortlisted bidders to the NSW Communities Plus housing initiative.
- Supported participating Consortiums' bidding for the Waterloo Renewal Community Plus initiative, targeting 6,000 new dwellings.

AHBA loans approved ($m)



SA

- Approved $8 million in new AHBA facilities supporting a mix of specialist disability accommodation and affordable housing in Adelaide.
- Collaborated with the State Government in its request for proposal for 137 social, affordable and market houses in Adelaide.

Vic

- Approved $25.9 million in new AHBA facilities (and $18.9 million in finance from the NHIF) extending NHFIC's support of the Victorian Government's Big Housing Build initiative and innovative ground lease models delivering a further 285 affordable dwellings.
- Issued letters of support to participating consortia for the Victorian Government's GLM2 program targeting a minimum 1,400 new dwellings.

Tas

- Collaboration with three CHPs to assist with funding housing strategies for a further forecast 162 new social dwellings.

ACT

- Commercial terms agreed for the new build-to-rent-to-buy housing model for vulnerable women in Ginninderry.
- Provided several letters of comfort to CHPs in relation to build to-rent-to-buy procurements with an estimated project value of over $150 million.

Funding

Consultation

Residents living in community housing feel more secure, and have improved financial, employment and health outcomes.

Housing Choices Tasmania residents Lauree and Ashton, Lisa and Sean

Housing Choices Tasmania

NHFIC has provided HCT with $31 million in AHBA and NHIF loans to fund the construction of 181 freestanding social and affordable dwellings across eight sites in Tasmania.

NHFIC's funding will support the Tasmanian Government's Community Housing Growth program to construct 1,000 social housing dwellings by the end of 2023. The tripartite agreement, covering projects worth approximately $60 million, will increase the supply of much needed social housing across Tasmania and provide housing for those eligible on the State's housing register, including those with mobility issues.

L–R Housing by Housing Choices Tasmania; Shorewell Park residents Lisa and Lauree.

Lauree

Lauree and her son Ashton, 12, found themselves homeless in 2021 after losing everything.

'I was in a relationship with a guy who scammed me, and I lost a bit of money,' said Lauree. 'He walked out on us in Melbourne on a holiday and we lost everything basically because of him.'

Over two years, Lauree and her son lived in temporary accommodation.

'We have been camping, couch surfing, staying at the women's shelter, Magnolia Place in Launceston, and with friends and family too.'

Lauree and her son now live in one of the 24 units in the affordable housing development at Shorewell Park, funded by a NHFIC loan, a grant from the State Government and input from CHP Housing Choices Tasmania, who own the land.

After waiting nearly two years, Lauree says it was a relief to have a permanent home.

'I'm so happy we have a place to now call home,' said Lauree.

Lisa and Sean

Lisa and Sean, a married couple in their fifties, recently moved into a brand-new property in Shorewell Park.

Sean developed a back condition that required ongoing management, after sustaining injuries as a bricklayer. Becoming his full-time carer, Lisa could no longer work to afford their home.

'It's just such a fine line between living your life comfortably, and then – suddenly – not, and being homeless. I would never have thought that we'd be homeless, ever. And it just happened so quickly.'

In some cases, Sean's hospital stays were extended due to not having a safe, appropriate place to go home to. The couple had been moving between family, Airbnbs, motels, and the local caravan park, as there were no affordable private market rentals which met their needs.

'I was ringing anybody that I could think of that might be able to help us. I walked into the Housing Choices office, and they directed me to Housing Connect who did the application. I really appreciate that they acted so quickly, because we really were in a bad way,' explained Lisa.

Lisa and Sean were offered their property, which was still under construction, in April and moved in in July – just in time for Sean's next operation.

'I was so, so grateful that this unit was ready. It was the day before his surgery that I picked up the keys. It was incredible.

There's still lots of health issues for Sean, but the stress of not having a place to stay has gone. There's a bus stop for me to get the bus, and there's a shop up the road. I don't have to worry anymore and Sean can access the home easily. It's such a relief,' said Lisa.

Table 6: Approved CHP capacity building grants, by CHP tier (or equivalent in Vic and WA)

	Tier 1		Tier 2		Tier 3		TOTAL	
	2022–23	Cumulative	2022–23	Cumulative	2022–23	Cumulative	2022–23	Cumulative
NSW	2	7	1	5	–	1	3	13
Vic	1	1	–	–	–	–	1	1
Qld	1	1	2	4	1	2	4	7
WA	–	1	–	1	–	1	–	3
SA	–	–	2	3	–	–	2	3
NT	–	–	1	2	–	–	1	2
TOTAL	**4**	**10**	**7**	**16**	**1**	**4**	**12**	**30**

Building capabilities for CHPs and for the sector

NHFIC continued to provide grants through the Capacity Building Program, administered by CHIA on its behalf. The grants support registered CHPs to further develop their financial and management capabilities.

In 2022–23, NHFIC approved 12 capacity building grants for CHPs in New South Wales, Victoria, Queensland, South Australia and the Northern Territory to access consulting services in the areas of finance, business planning and risk management (Table 6). The approved grants comprised a mix across Tier 1, 2 and 3 CHPs.

Table 7: Sector-wide capacity building projects

Status	2022–23	Cumulative
Received	2	23
Approved	2	13

The feedback from CHPs has been positive. Six CHPs (approved in 2022–23 and previous financial years) completed their tailored assistance programs during the year, with almost all reporting that they were very satisfied with the project carried out with the capacity building grant and that it was successful and met their objectives. One CHP saw great value in the capacity building program however was dissatisfied with the consultant they chose.

NHFIC extended its Capacity Building Program in 2020–21 to include projects from representative peak bodies and groups of CHPs that support sector-wide capacity building, in addition to individual CHPs. In 2022–23, NHFIC approved two applications for sector-wide capacity building projects (Table 7), including a grant to CHIA to support the implementation of the ESG reporting standard for Australian community housing (refer page 28). The capacity building contract with CHIA was extended to 31 December 2023.

Capacity Building Program project of $20,000 approved and completed in 2022–23

‘The grant has provided ongoing benefits to the organisation, such as modelling and templates for future use and better understanding of business drivers to leverage debt finance. For a smaller CHP on the cusp of growth, the capacity grant was essential to bring feasibilities together that the Board could evaluate and understand. We would have been unable to fund this from our own resources at this time.’

Tier 2 CHP, Northern Territory

Unlocking new housing supply

National Housing Infrastructure Facility

NHIF approvals reach over $500 million

Interest in and demand for NHIF funding has increased significantly following the Australian Government's broadening of the scope of the NHIF to allow for funding of social and affordable housing in addition to housing-enabling infrastructure. This demand resulted in more than half of the $1 billion funding facility being committed during 2022–23.[4]

During the year, NHFIC received 13 NHIF applications, including nine relating to new and existing funding commitments and four letters of support for bidding parties in state procurement processes. The NHFIC Board approved an additional $102.7 million in new NHIF facilities to support critical housing-enabling infrastructure projects and new social and affordable housing (Table 8). When completed, these projects will support the delivery of over 1,700 social, affordable and market dwellings across Australia. These approvals included NHIF loan and grant funding of up to $13 million for CHPs in South Australia and the Northern Territory.

Table 8: 2022–23 NHIF facilities approved

Project proponent	Project location	Loan and grant ($m)	State or territory	Housing outcomes	Type of project				Social and Affordable Housing
Land and Housing Corporation	Various	50	NSW	-	🚧	⚡	☢	💧	
Building Communities Vic	Melbourne	18.9	Vic	285	🚧	⚡	-	💧	
Landcom	Macarthur Gardens North	14.2	NSW	1,250	🚧	⚡	☢	💧	
Undisclosed[1]	Undisclosed	7.0	SA	172	🚧	⚡	☢	💧	
Undisclosed[1]	Undisclosed	3.0	SA	40	🚧	⚡		💧	Yes
Undisclosed[1]	Undisclosed	3.0	NT	12					Yes
North Coast Community Housing	Mullumbimby	2.0	NSW	5					Yes
Total		**98.1**		**1,764**					
Capitalised interest		4.6							
Total (including capitalised interest)		**102.7**							

1. Subject to confidentiality as facility agreements have yet to contractually close.

Key

- 🚧 Transportation, including roads
- ⚡ Electricity and gas
- ☢ Site remediation, including removal of hazardous waste and infrastructure
- 💧 Water, sewerage and stormwater

4. In September 2023, the Australian Government announced an additional $1 billion investment in the NHIF.

NHFIC continues to work with all levels of government, CHPs, developers and construction companies to increase social and affordable housing supply.

Figure 4:

Total NHIF approvals and outcomes

$510.1m

in total committed NHIF loans and grants

9,135

Total projected dwellings supported by Board-approved NHIF facilities

Finance for social and affordable housing

The widening of the NHIF has expanded funding opportunities for the community housing sector and other eligible recipients, including states and territories and local government bodies. The CHP sector has responded strongly, with $600 million in applications received during 2022–23 for social and affordable housing projects. Funding for these projects will potentially support the delivery of over 4,000 dwellings. NHFIC is focused on progressing these opportunities and having the funds committed in 2023–24.

Having a safe and secure home is more than a basic human right, it generates flow-on benefits for vulnerable Australians.

Briony, a resident of North Coast Community Housing

North Coast Community Housing

NSW-based CHP, North Coast Community Housing, received a $2 million NHIF grant from NHFIC and a $1 million grant from the NSW Department of Communities and Justice, under the Community Housing Innovation Fund, to offer 5 more homes to people in need of social housing in Mullumbimby NSW.

NCCH provide long-term social, affordable and innovative housing solutions to those in need across the Northern Rivers region of NSW. The new homes are part of a 25-unit development with a mix of private, social and affordable housing. There is currently a 10-year wait list for social housing in the area.

'I have lived all my life with mental health issues which has made daily life difficult. While I have never been able to purchase my own home, I have always been able to afford rent.'

Briony no longer needs to live with the anxiety of having no housing stability and community around her.

With recent rental price increases, Briony was unable to keep up with the costs and at age 70 was not working. Last year, she suffered anxiety after being given unexpected notice to vacate her property so her landlord could move in. This was six weeks after her mother had died, and she was devastated. After a quick search online, Bryony discovered there were only 35 one-bedroom rentals under $300 anywhere in New South Wales, many in places she had never heard of.

Bryony had moved from her previous community five years earlier and noticed her mental health deteriorating further without friends or family close by. Coincidentally, she received a call from North Coast Community Housing asking if she was still interested in being on their register. Bryony had received a call each year since 2005, and had always replied 'Yes, but I'm not in need of help at the moment.'

This time, her reply was 'Yes, and do you have anything now?'

Bryony was offered a new townhouse in an area she used to live in. In March 2023, she moved in and has reconnected with many old friends.

'I am full of joy and astonishment. I am also incredibly grateful to everyone that works at these organisations that make affordable housing possible for people like me. The alternatives were frightening,' said Briony.

L–R Housing by North Coast Community Housing, Mullumbimby NSW; North Coast Community Housing resident, Briony; Housing by North Coast Community Housing, Mullumbimby NSW.

Continuing to build strategic partnerships

NHFIC is continuing its work with state and territory development agencies. The agreement with the NSW Land and Housing Corporation is proving to be a successful partnership model in delivering social, affordable and market housing. During the reporting year, Land and Housing Corporation's umbrella facility received two extension approvals, increasing its funding capacity from $100 million in June 2020 to $250 million. The most recent increase was $50 million in 2022–23. The facility will support the delivery of 29 social homes in Claymore, 54 kilometres south-west of Sydney, and 165 social, affordable and market homes in Cooma, in the Snowy Mountains region of NSW.

Another successful partnership is with NSW Landcom. In June 2023, the NHFIC Board approved funding for housing-enabling critical infrastructure that will support the delivery of up to 1,250 market and affordable homes in Western Sydney. This follows the first Landcom project funded by NHFIC in 2021–22 at Schofields, which will support the delivery of up to 103 market and affordable homes. Both projects emanated from a memorandum of understanding NHFIC and Landcom signed in December 2021.

Unlocking and accelerating new housing supply for those in need

NHFIC responded to requests during 2022–23 for grant-only NHIF funding for projects that will support the delivery of 57 acute-need dwellings in Mullumbimby New South Wales, the Northern Territory and South Australia.

NHFIC provided a $2 million grant to North Coast Community Housing to retain 5 new dwellings for social housing rather than being sold to the private market in flood-affected Mullumbimby. The tenants were on the high priority social housing wait list.

NHFIC also approved a $3 million grant for a 12-dwelling social and affordable housing project in the Northern Territory. In this partnership, NHFIC and the Northern Territory Government will help support a CHP deliver housing where there is a high Indigenous social housing requirement in a very remote part of the territory.

NHFIC also supported a $3 million grant for the construction of 40 independent living units proposed for occupation by Aboriginal and Torres Straight Elders and will provide affordable, long-term housing in a culturally appropriate setting in South Australia.

'NHFIC's concessional finance and infrastructure facility has been critical in delivering more housing across NSW for North Coast Community Housing and increasing the supply of affordable housing.'

Craig Brennan CEO, North Coast Community Housing

Unlocking new housing supply to deliver houses for vulnerable Australians.

Brad, a long-term resident of HousingFirst

HousingFirst

NHFIC has provided HousingFirst with $18 million in loans and grants through the NHIF, to accelerate a program of work to deliver 316 social and affordable homes, including newly built apartments in Balaclava, Victoria.

Spread across four project sites in Brighton East, St Kilda, and Balaclava, the developments will deliver much needed social and affordable housing for people on the Victoria Housing Register, including those living with disability, families and older residents.

Accommodation in Balaclava includes one, two and three-bedroom apartments and some specialist disability accommodation. In Brighton East, 69 aged-care units are being redeveloped into 152 self-contained apartments for people over 55 years of age. In St Kilda, a rooming house was redeveloped into 36 self-contained apartments, for women over 55 years of age. The remaining property in Balaclava is expected to deliver up to 82 apartments, including 46 one, two and three-bedroom apartments, all with private balconies.

'I can take off my hat when I get home and it is my home. It gives me security, for which I am incredibly grateful.'

Brad, 73-years old, is a long-term resident of HousingFirst in Victoria. He moved into a Balaclava rooming house in October 2001, after previously experiencing psychiatric and addiction issues.

Brad will soon move to a self-contained apartment in HousingFirst's architecturally designed development in Balaclava. He is very appreciative of having his own room, bathroom and all the comforts an apartment offers.

'I've got friends now. I know all the streets, it's home,' said Brad.

L–R Housing by HousingFirst, Balaclava Vic; Ryan Batchelor MP, Josh Burns MP, resident Brad, the Hon Julie Collins MP, Colin Brooks MP.

Helping more home buyers into home ownership

Home Guarantee Scheme

Supporting 100,000 Australians into earlier home ownership

2022–23 was the biggest year for the Scheme since its launch. It was renamed the Home Guarantee Scheme[5], the number of places available was expanded to 50,000 per financial year, and five new non-major lenders joined the participating lender panel. The RFHBG was also launched on 1 October 2022, three months ahead of the Government's commitment.

In May 2023, the Scheme reached an important milestone of helping over 100,000 Australians buy or build their own home since it began on 1 January 2020. One in five of the 100,000 Australians supported were key workers, including over 6,700 teachers, 5,000 nurses and almost 3,500 social workers. More than one in three were Australians living in regional areas.

MEDIA RELEASE 9 JUN 2023

100,000 Australians Helped into Homes by the Federal Government's Home Guarantee Scheme (HGS)

The Home Guarantee Scheme (HGS or Scheme), which is administered by the National Housing Finance and Investment Corporation (NHFIC), has now helped 100,000 Australians purchase or build their own home since the Scheme commenced over 3 years ago.

The HGS is an Australian Government initiative to support eligible home buyers, including first home buyers, single parents and regional Australians, purchase their home sooner. It comprises the First Home Guarantee (FHBG), the Family Home Guarantee (FHG) and the Regional First Home Buyer Guarantee (RFHBG). The Scheme is currently available to eligible home buyers through 32 Participating Lenders.

Since inception there has been strong demand for the Scheme across the country, particularly in regional areas where 34,000 regional Australians have been supported across the guarantees. One in five of the 100,000 Australians supported were key workers. This includes over 6,700 teachers, 5,000 nurses and almost 3,500 social workers.

NHFIC Media release, 9 June 2023

5. Previously known as the First Home Loan Deposit Scheme (FHLDS).

Under the Scheme, NHFIC released 51,113 places to participating panel lenders during 2022–23, comprising 36,113[6] places under the FHBG, 5,000 under the FHG and 10,000 under the RFHBG. A total of 27,769 homes were purchased under the Scheme.

As at 30 June 2023, participating lenders had allocated 24,804 of the available FHBG places provided by NHFIC. Over the period, three out of four FHBG places were allocated by the two major banks on the participating lender panel, Commonwealth Bank of Australia (CBA) and National Australia Bank (NAB), with these banks reaching their limit of available places under the NHFIC Investment Mandate before the end of the financial year.[7] Non-major lenders did not issue their full allocation of available places. Of those places issued under the FHBG, 21,171 (85%) first home buyers had signed a contract or settled on their home by 30 June 2023. The remaining 3,633 (15%) were at the early financing stages and still looking for a property.

As at 30 June 2023, participating lenders had allocated 1,798 of the available FHG places provided by NHFIC. Demand for the FHG was lower in this reporting year, most likely due to lower borrowing capacity for single applicants given higher interest rates and high loan-to-value risk appetite considerations for participating lenders. Of the places issued, 1,581 (88%) single parents had signed a contract or settled on their home by 30 June 2023. The remaining 217 (12%) were at the early financing stages and still looking for a property. A total of 63% of the single parents who purchased a family home were women.[8]

After launching on 1 October 2022, as at 30 June 2023, participating lenders had allocated 5,995 of the available RFHBG places provided by NHFIC. Of these, 5,017 (84%) first home buyers in regional areas had signed a contract or settled on their home. The remaining 978 (16%) were at the early financing stages and still looking for a property.

Expansion of the Scheme

The Australian Government announced a further expansion of the Scheme in April 2023 through expanded eligibility criteria. From 1 July 2023, the Scheme opened to eligible permanent residents as well as Australian citizens, non-first home buyers who have not owned a property in the last 10 years, and any two applicants broadly (friends, siblings and other family members) as well as married or de facto couples. The FHG was also expanded to eligible single legal guardians with at least one dependent child as well as eligible single parents.

Julie Collins @JulieCollinsMP · May 30

The Albanese Government has already helped more than 50,000 Australians into home ownership.

We know this makes a big difference, which is why we're expanding opportunities to help more Australians into home ownership from 1 July.

Op Ed in today's Daily Telegraph

Human side of housing

Julie Collins

All parents want to provide a stable home for their kids. That's why I've been working with the Prime Minister to make it easier for people to find somewhere safe and affordable to call home.

Let me share a letter that shows just how essential this work is.

A woman wrote to me from the home she now shares with her two children, something she said "wouldn't have been possible without securing the Family Home Guarantee". She continued:

"It enables single parents to secure home loans and feel as though we are really contributing to raising our children, providing a secure future for ourselves, whilst freeing up the rental market.

"It enables those of us that were or are struck in a domestic violent relationship with no way out, to be able to provide that we are worthy and cannot be controlled through fear and suffering ...

"For me, being able to buy a home not only provides me and my children stability, security, and safety, but an overwhelming sense of pride and self worth.

"I did it! I got out. I protected myself and my children and am providing every possible opportunity for us to thrive.

"So thank you, thank you, thank you. From the bottom of my heart."

I want more people to have the safety and security that this woman and her family now have.

That's why the Albanese government has expanded our Home Guarantee Scheme, to help more people into homeownership and stability.

Eligibility for all elements of the scheme will be expanded from July 1. For the First Home Guarantee and the Regional First Home Buyer Guarantee, non-first home buyers who haven't owned a property in Australia in the last ten years will soon be able to access help.

We know how important this change will be for many women – particularly mothers – as they seek to find a place to call home.

We're also opening up the Family Home Guarantee, expanding it from single natural or adoptive parents with dependants to eligible borrowers who are single legal guardians of children – meaning aunts, uncles and grandparents won't be denied help that other people caring for children can currently access.

These changes will help more families find safe places to call home, and work alongside our other housing plans.

I'm proud to be part of a government working to deliver more security for Australians who need it most, including our nation's incredible mothers.

Julie Collins is the Minister for Housing, Homelessness and Small Business

69 35 104 13.9K

The Hon Julie Collins MP, Twitter, 30 May 2023

6. Includes the 1,113 unissued FHBG places from 2021–22, rolled over as per the direction from the Minister, effective from 24 November 2022.
7. The NHFIC Investment Mandate Amendment (Removal of Limit on Major Bank Guarantees) Direction 2023 was released on 15 June 2023.
8. A further 22% indicated they preferred not to specify their gender.

Table 9: Guarantees administered by NHFIC during 2022–23

	Operating in 2022–23			
Name	First Home Guarantee	Family Home Guarantee	Regional First Home Buyer Guarantee	New Home Guarantee
	Introduced from 1 January 2020 for major banks and 1 February 2020 for non-major lenders	Introduced 1 July 2021	Introduced 1 October 2022	Introduced 2 November 2020
Purpose	To help first home buyers purchase their first home sooner	To help single parents with dependants purchase a family home sooner	To help regional home buyers purchase a home sooner in a regional area	To help first home buyers purchase a new home sooner
Minimum deposit	5%	2%	5%	5%
Scheme places made available in that financial year				
2019–20	10,000	-	-	-
2020–21	10,000	-	-	10,000
2021–22	10,000	10,000 over a 4-year period		10,000
2022–23	35,000	5,000	10,000	-

Source: NHFIC

Table 10: Average purchase price relative to property price caps during 2022–23[1]

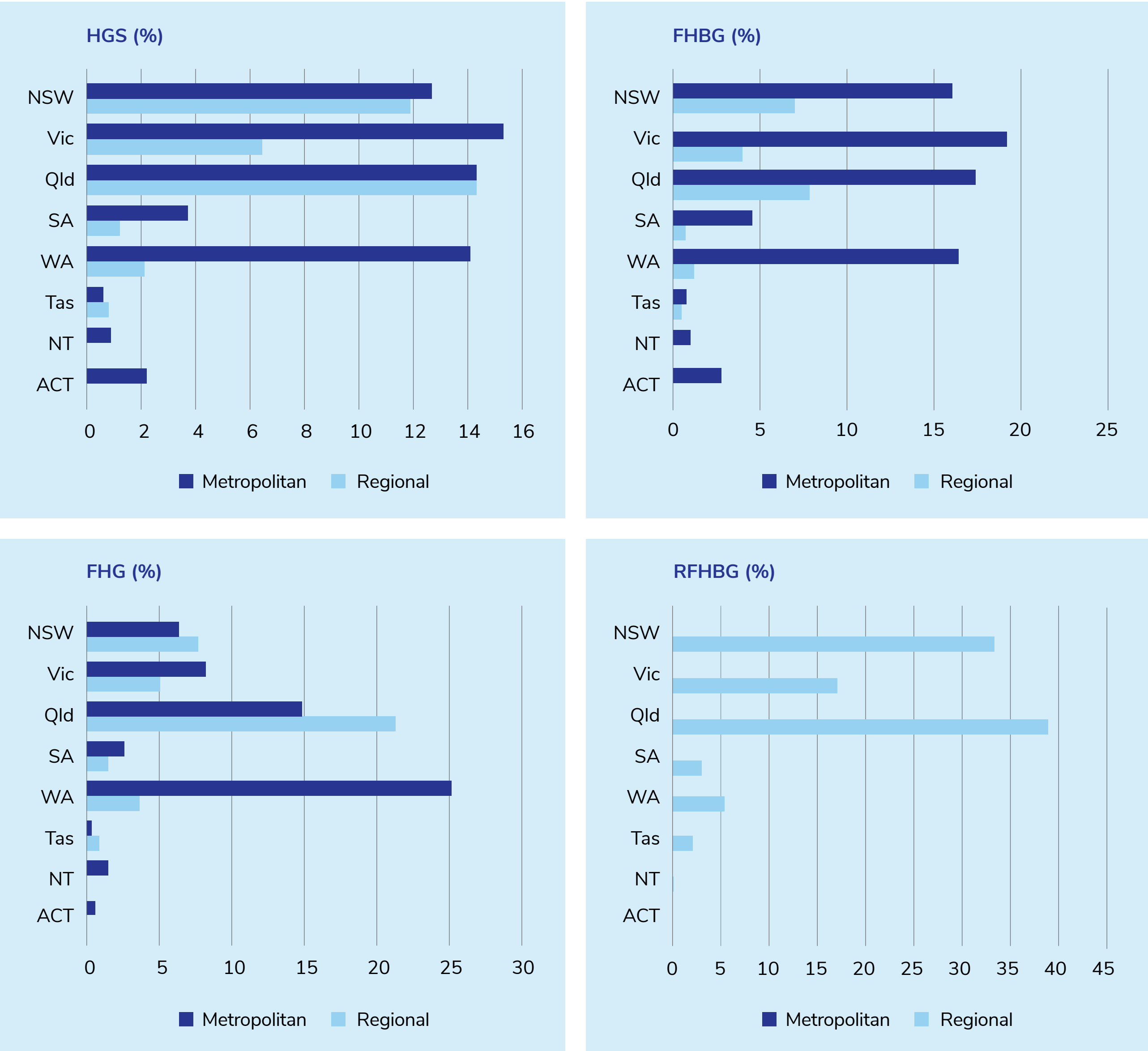
State/territory	Average price	Price cap	% Price cap
ACT	$557,384	$750,000	74
NT	$385,000	$600,000	64
NSW (metro)	$651,939	$900,000	72
NSW (rest of state)	$486,167	$750,000	65
Qld (metro)	$486,239	$700,000	69
Qld (rest of state)	$361,791	$550,000	66
SA (metro)	$432,008	$600,000	72
SA (rest of state)	$294,348	$450,000	65
Tas (metro)	$504,276	$600,000	84
Tas (rest of state)	$371,911	$450,000	83
Vic (metro)	$534,128	$800,000	67
Vic (rest of state)	$427,393	$650,000	66
WA (metro)	$371,185	$600,000	62
WA (rest of state)	$317,567	$450,000	71

1. Average across the Guarantees operating during the year.

As at 30 June 2023, 31 Scheme-backed loans were at 90+ days in arrears, totalling $290,378 – $59,386 in New South Wales, $65,183 in Queensland, $49,861 in Victoria, $9,718 in South Australia, $94,843 in Western Australia, and $11,387 in the Northern Territory.

No claims were made by participating lenders on the Australian Government's guarantee during 2022–23.

Figure 5: 2022–23 HGS Guarantee Certificate allocations by metropolitan or regional area



Under the NHFIC Investment Mandate, the NT and ACT do not have a metropolitan / regional distinction. For the purposes of this Annual Report, all Guarantee Certificates issued in NT and ACT have been attributed to metropolitan areas.

Figure 6: Profile of the typical single and couple buyer under the HGS in 2022–23

Profile of the median buyer

	Single FHBG	Single RFHBG	Single FHG	Couple FHBG	Couple RFHBG	Couple FHG
Purchase price	$459,000	$389,000	$422,000	$582,000	$498,000	–
Age bracket	30–34	25–29	35–39	30–34	25–29	–
Household income	$76,000	$71,000	$70,000	$124,000	$117,000	–
Gender split	36% female 40% male 23% other	32% female 42% male 25% other	63% female 15% male 22% other	38% female 38% male 24% other	37% female 36% male 27% other	–
Loan to value ratio	92%	93%	96%	93%	94%	–

This data relates to Guarantee Certificates issued in 2022–23 and are based on actual purchase location. Guarantee Certificates are issued to a participating lender after an eligible home buyer has signed a contract of sale and received unconditional finance approval. Data do not include places on hold (that is where places are reserved, or finance has been pre-approved).

Helping Australians into earlier home ownership.

Flynn and Heidi, Lake Macquarie

Flynn and Heidi, a young couple from Lake Macquarie purchased a home through the Regional First Home Buyer Guarantee.

'Buying our first home means that we are safeguarding our financial future and have a good start on our adult life. We are fortunate and grateful to be part of the Scheme.'

Flynn

Flynn finished school in Year 10 to begin a carpentry apprenticeship. His partner Heidi works as a nurse, and they had been saving for a couple of years to purchase their first home.

'I'd heard about the Home Guarantee Scheme but didn't know a lot about it until I spoke with my broker, who gave me all the information on how it could help,' said Flynn.

The couple knew it would be difficult to get into the housing market and find the right house, in the right area, at the right price. They also knew that saving for a house deposit on an apprentice's wage would continue to involve some sacrifice, even though Flynn had been saving since he was 14 years of age.

Flynn and Heidi recently purchased a home in Macquarie Hills, New South Wales, in a quiet cul-de-sac with a loan from Newcastle Permanent.

'The home in Macquarie Hills was the first we looked at; we knew it had enormous potential. It is a generous size block on 700 square metres and with potential to add value in the longer term.

'We would not have been able to buy a home without the Home Guarantee Scheme. The Regional First Home Buyer Guarantee enabled us to buy a house much sooner. If we had to continue to save for a larger deposit, we would have incurred higher costs, and may not have been able to afford a home.'

L–R Lake Macquarie residents, Flynn and Heidi.

Continued expansion of the participating lender panel

Following the completion of a competitive procurement process in 2021–22, five new non-major lenders joined the participating panel from 1 July 2022. The lenders are Credit Union SA, Illawarra Credit Union, IMB Ltd (trading as IMB Bank), Newcastle Permanent Building Society and Unity Bank.

During 2022–23, NHFIC also ran a competitive procurement process to expand the major bank panel, appointing Westpac Group to commence on the panel from 1 July 2023.

In 2022–23, NHFIC continued to implement technology enhancements to the Scheme IT Portal and lender and portfolio management system to increase automation and deliver process efficiencies. A stress test of the Scheme-backed loan portfolio was conducted under various macroeconomic conditions to forecast possible default and claim profiles.

NHFIC continued to work closely with participating panel lenders to improve the customer experience and ensure the Scheme's integrity. The organisation conducted over 220 formal engagements with panel participating lenders, held training sessions reaching over 900 lender staff, and responded to over 10,000 phone and email queries from lenders and members of the public.

In addition, NHFIC continued to conduct regular reviews of participating lender compliance with obligations under the Scheme Rules. This includes lender origination activities and their alignment to Scheme eligibility as well as the application of fairness and suitability in credit practices and policies, interest rate fairness and customer care.

During the reporting year, NHFIC undertook a review of and refreshed the requirements for participating lender audits to ensure they remained fit-for-purpose in the context of the expanded Scheme. In 2022–23, all participating panel lenders completed their annual Scheme audit and submitted bi-annual updates on their material policy changes. NHFIC's review of the audits assessed all participating panel lenders as compliant with their obligations, with sound performance throughout 2022–23.

'The Regional First Home Buyer Guarantee greatly supports our regional presence in the local communities that we have been providing an alternative to for over 55 years.

Even though we are small, we believe through successful partnerships such as NHFIC we can make a big difference for our customers and communities.'

Craig Lonergan, Chief Risk Officer, Auswide Bank Ltd

In 2022–23

1 in 3 first home buyers
made use of the Scheme[9]

the Scheme reached over $25 billion
in loans across more than 60,000 active guarantees

3,000 new homes
were supported under the Scheme[10]

28% of Scheme places
went to key workers[11]

36% of first home buyers
purchased in regional areas

10,000+ emails and phone calls
were managed by the HGS team

9. Guarantee Certificates issued in 2022–23 for FHBG, FHG and RFHBG as a proportion of owner-occupied first home buyer loan commitments (Australian Bureau of Statistics, Lending Indicators, June 2023, Table 24).
10. New homes supported refers to house and land package purchases, separate land and contracts to build, off the plan purchases, and newly constructed dwellings.
11. Occupations classified as key workers are: schoolteachers; nurses; childcare workers; carers and aides; Defence Force members, firefighters, police, and other emergency service workers; ambulance officers and paramedics; and social and welfare professionals.

Enabling more Australians to achieve their aspirations of owning a home sooner.

Annaleise and Jake, Western Downs

Annaleise and Jake, a young couple from the Western Downs region in Queensland, purchased a home through the First Home Buyer Guarantee.

'Owning a home means more stability for us. Renting came with a lot of unknowns with lease renewals and rent increases. We can now look ahead to planning our wedding in 2024.'

Annaleise

Annaleise and her fiancé Jake purchased their home in Dalby, Queensland, with the help of the FHBG and a loan from customer-owned Great Southern Bank. After completing her degree in speech pathology, the couple moved back out West to be closer to family and friends.

'We had a life plan, and the first step was buying a home. We had been saving for two-and-a-half years and then looked for six months until we found a home that ticked all the boxes,' Annaleise, 26 years of age, said.

The couple chose a recently renovated three-bedroom home with a large yard for their Jack Russell dogs, Tucker and Bonnie. Annaleise credits the First Home Guarantee with enabling them to purchase their home sooner.

'The Scheme has meant that we could buy our first home sooner and did not have to worry about lenders mortgage insurance. It also gave us more flexibility in terms of how much deposit we wanted to put down,' Annaleise said.

L–R Dalby residents, Jake and Annaelise.

Table 11: Participating lender panel representation by state and territory in 2022–23

State/territory	Number of active panel lenders[1]	Proportion of active lender panel (%)
NSW	29	91
Vic	24	75
Qld	29	91
SA	18	56
WA	20	63
Tas	14	44
NT	14	44
ACT	18	56
Total	**32**	**100**

1. Based on Guarantee Certificates issued under the HGS in 2022–23.

‘As an original panel lender from 2020 with NHFIC, Gateway Bank has been delighted to support first home buyers across the country achieve their ownership goals and get onto the property ladder sooner through the range of guarantees.’

Adam Norman, Chief Marketing Officer, Gateway Bank

Helping Australians living in rural areas purchase a home earlier

Isobella and Keenan, Broken Hill

Isobella and Keenan, a young couple from Broken Hill NSW, purchased a home through the Regional First Home Buyer Guarantee.

‘We had not heard about the Regional First Home Buyer Guarantee until we sat down with our broker who explained the Scheme and how it might work for us. The money we saved through the Guarantee has allowed us to undertake renovations sooner than we expected.’

Isobella

Isobella, 28 years of age and her partner Keenan, 26, were among the first to access the RFHBG, combining the Scheme with a loan from customer-owned Great Southern Bank to purchase their first home in Broken Hill, in the far west of New South Wales where they were born and bred. Isobella runs her own beauty therapy business and works as a chef.

‘I have always loved the sense of community that comes with living in a rural town, not to mention the convenience of never driving more than 10 minutes to where you need to go,’ Isobella said.

In 2020, the couple decided they wanted to purchase their first home but watched from the sidelines as house prices began to rise. Their patience paid off as their dream fixer-upper came up at the same time the Government launched the RFHBG in October 2022.

‘We had not heard about the Regional First Home Buyer Guarantee until we sat down with our broker who explained the Scheme and how it might work for us. The money we saved through the Guarantee has allowed us to undertake renovations sooner than we expected,’ Isobella said.

‘It is an older style three-bedroom home with great foundations and so much potential. One of our favourite features is the heritage stylings like the beautiful cornices throughout the house as well as the open fireplace in the living room.’

The couple are excited to renovate this year starting with painting the house and adding an outdoor entertainment area. Looking forward, Isobella and Keenan hope to raise their family in the home.

L–R Broken Hill residents Keenan and Isobella.

Regional first-time buyers rush low deposit leg-ups

MACKENZIE SCOTT

More than 1600 first-time buyers have been able to purchase a home in regional Australia with a deposit of as little as 5 per cent in the first four months of the federal government's Regional First Home Buyer Guarantee.

Some 10,000 spots under the scheme were released in October with the aim of helping those already living in the regions to purchase a modest property in their community.

Two-thirds of buyers who have accessed the program were aged between 16 and 29 and one in five was aged between 35 and 60.

The majority of purchases have so far been in Queensland, with 74 of them on the Gold Coast, 47 on the Sunshine Coast and 550 homes being picked up elsewhere in the Sunshine State.

Eighty homes were purchased in NSW's Newcastle and Lake Macquarie region and 36 in the Illawarra, bringing the total number of homes purchased in the state to 526.

More than 270 properties were purchased in Victoria, 79 in Western Australia, 54 in South Australia and 27 properties changed hands in Tasmania. Two purchases were made in Darwin.

Australians living in regional areas have faced some of the largest drops in housing affordability, federal Housing Minister Julie Collins said, with the scheme offering a great opportunity for locals struggling to save a sufficient deposit to get into their own home sooner. "It's fantastic to see so many regional Australians have already been able to take advantage of the Albanese government's new Regional First Home Buyer Guarantee," she said. "Whether they're in the Illawarra or on the Sunshine Coast, it's particularly good to see so many young people taking up this opportunity."

The new support is an extension of the Home Guarantee Scheme, which launched in 2020, offering first-home buyers access to the market with low deposits and no lenders mortgage insurance. The scheme has been expanded in scale and scope, with variations for new builds and single parents.

Property prices in regional Australia climbed more than 45 per cent in the pandemic boom as many choose a tree or sea-change, according to PropTrack.

The jump in housing costs was around double the change in Australia's capital cities.

The regional scheme was introduced as part of Labor's election promise to make housing more affordable with the cost-of-living squeeze on the horizon.

A commitment has been made to build one million new homes over five years from 2024 alongside 30,000 new social and affordable houses.

NIKKI DAVIS-JONES

Housing Minister Julie Collins

The Australian, 2 Feb 2023

'Our purpose as a bank is to help all Australians to own their own home. We are committed to continue helping more people take that step through the Home Guarantee Scheme.'

Megan Keleher, Chief Customer Officer, Great Southern Bank

'The Bank has seen first-hand the benefit of the Home Guarantee Scheme in assisting people to get into safe and affordable housing, an issue which has never been more important.

Home ownership is an important enabler of both financial security and a sense of community and the recent expansion of the Scheme, with the Regional First Home Buyer Guarantee, has meant more regional first home buyers have been able to enter the market. This has gone a long way in helping to boost regional economic growth and development, an issue the Bank champions every day.'

Lauren Saunders, Senior Manager Retail Operations, Bendigo Bank

Opportunities abound in regional NSW

Incentives for regional purchases could help many first-time buyers finally crack into the market

JONATHAN CHANCELLOR

With the trend towards regional relocation having lost its pandemic induced intensity, there is some sense in looking at the buying opportunities outside of Sydney, Newcastle and the Illawarra.

And the recent Albanese government housing initiative, the Regional First Home Buyer Guarantee (RFHBG) scheme is there to assist first timers. The scheme only kicked off last October, with 10,000 loans available for low and middle income buyers earning up to $125,000 for individuals or $200,000 for couples. Underpinned by government support, purchasers are permitted to spend up to $750,000.

The National Housing Finance and Investment Corporation provided The Daily Telegraph with the latest figures showing nearly 5,000 places have been taken up nationally, of which close to 4,000 have a signed contract, or have settled their home and moved in. The take up in NSW is around 1,300. Those aged 18 to 29 account for two-thirds of the RFHBG applications.

The RFHBG is part of the Australian Government's Home Guarantee Scheme (HGS) which has 32 participating lenders including major banks NAB and CBA. Westpac joins the scheme in July.

Isobella Perry, a 28-year-old beauty therapist along with her partner, miner Keenan Ellis, are among those with a 5 per cent deposit who have bought their first home. They are among the 270 who have been supported by Great Southern Bank, who have issued RFHBG loans totalling $66 million.

Isobella and Keenan bought at Broken Hill. "We hadn't heard about the Regional First Home Buyer Guarantee until we sat down with our mortgage broker who explained the scheme and how it might work for us," Perry said.

Great Southern Bank's chief customer officer Megan Keleher said the bank often see first homebuyers looking to regional areas for more affordable housing options.

"We also know saving for a deposit remains a challenge for many first homebuyers, regardless of where they are looking to buy."

From July the scheme will be available to any two eligible borrowers, beyond spouse or de facto partners, and to non-first home buyers who have not owned property in the past 10 years. The federal government has made 35,000 places available per year across the HGS with support for buyers with deposits of as little as five per cent, while the 5000 Family Home Guarantees allow single parents with dependants to purchase with as little as a two per cent deposit.

"The RFHBG and the intended changes to scheme eligibility recognise there's opportunity to reconsider the way we approach home ownership and encourage more aspiring

Daily Telegraph, 27 May 2023

Applied research and insights to support better housing outcomes

Research

Analysis shows affordability and housing supply remain challenging with housing pressures felt by many Australians.

NHFIC released its third annual flagship research report on housing outlook.

In 2022–23, NHFIC's research function delivered its third annual flagship *State of the Nation's Housing* report. The report provided housing supply and household formation projections across Australia's major cities and rest of state areas. This allowed NHFIC to produce assessments of current and future gaps between new household formation and supply.

The report included 10-year housing supply and household formation projections highlighting that more than 1.8 million new households are expected to form over the period 2023 to 2033. The household formation–supply gap over the next five years to financial year 2026–27 is expected to be a deficit of 106,000 dwellings.

The *State of the Nation's Housing* report was informed by wide consultation with stakeholders, including industry. It provides on-the-ground insights to understand Australia's housing supply and affordability trends in the coming decade.

The report was covered extensively by national, metropolitan, regional and industry media, resulting in 149 stories, including in *The Age*, *The Australian*, *Australian Financial Review*, *Sydney Morning Herald*, *The Guardian* and radio and online coverage, including *ABC News*. Complementary media releases on the day the report was released were issued by the Federal Minister for Housing, Property Council of Australia (PCA), Master Builders Association (Master Builders), Real Estate Institute of Australia (REIA), Urban Development Industry Association (UDIA), CHIA, and the Housing Industry Association (HIA). Since its release, the report's webpage has been viewed over 2,289 times (as at 1 September 2023).

State's rent rises worst in nation

Clare Armstrong

Rental rises in South East Queensland have been the largest in the country, with every local government area jumping by at least 30 per cent since the pandemic.

Soaring interest rates, building expenses and supply chain shortages are further constraining supply and fuelling Australia's housing crisis, according to the latest State of the Nation's Housing 2022-23 report released by the National Housing Finance Investment Corporation (NHFIC) on Monday.

South East Queensland has had the largest rental rises in the country, with all 12 local government areas experiencing rental increases of 30 per cent or more from early 2020 to January 2023.

Several outer Sydney LGAs also had rental spikes of more than 30 per cent, while in Melbourne increases were below 10 per cent.

Rental growth in regional Australia is now falling after a period of "record demand" during the pandemic.

The NHFIC said this suggested Australians were once again prioritising living in large cities close to employment centres in a reversal of the work-from-home trend sparked by the Covid pandemic.

NHFIC chief executive Nathan Dal Bon said the rapid return of overseas migration combined with a supply pipeline constrained by a "decade-high" construction costs and huge interest rate rises were "exacerbating" an already tight rental market.

"Housing affordability and supply are likely to remain challenging for some time, underscoring the need for a holistic approach to mitigate the housing pressures Australians are facing," he said.

More than 1.8 million new households are expected to be built across Australia in the next decade, however the much earlier increase in interest rates relative to previous Reserve Bank of Australia guidance is "adversely" impacting supply. It is expected about 148,500 new dwellings will be completed in 2022-23, but net construction will fall to 127,500 in 2024-25.

MICRO UNITS SOAR P14

The Courier-Mail, 3 April 2023

'The rapid return of overseas migration together with a supply pipeline constrained by decade-high construction costs and significant increases in interest rates is exacerbating an already tight rental market. NHFIC analysis shows housing affordability and supply are likely to remain challenging for some time, underscoring the need for a holistic approach to mitigate the housing pressures Australians are facing.'

Nathan Dal Bon, CEO, NHFIC

ABC News, 3 April 2023

Migrant influx worsens housing crisis

Michael Bleby

Surging population growth and a squeeze on new supply triggered by the fastest rate-rising cycle in three decades are expected to exacerbate the predicted shortfall of homes over the next five years.

The National Housing Finance and Investment Corporation predicts a faster-than-expected rise in borrowing costs will reduce the net supply of new houses to 138,100 homes annually over the three years to 2025, down from the 180,000 it predicted a year earlier.

At the same time, the NHFIC predicts 268,000 more people will migrate to Australia between 2022 and 2024 than it anticipated in its *State of the Nation's Housing* report last February.

The downturn in supply at a time when population growth is surging has widened the predicted housing shortfall from 62,900 to 106,300 by 2027.

"The rapid return of overseas migration together with a supply pipeline constrained by decade-high construction costs and significant increases in interest rates is exacerbating an already tight rental market," NHFIC chief executive Nathan Dal Bon said.

The expert housing advisory body's diagnosis of a further deterioration in the country's chronic housing shortage comes as the federal government's ability to respond to the crisis weakens.

Last week the Albanese government was forced to shelve legislation to create a $10 billion Housing Australia Future Fund that would fund the development of 30,000 social and affordable homes over five years in the face of opposition from the Greens and independent senator David Pocock because it did not go far enough.

The Housing Australia Fund Bill 2023 the federal government had hoped to pass in the final sitting week before the May budget would also have expanded the role of NHFIC while also creating an advisory body, the National Housing Supply and Affordability Council, to be led by former Mirvac CEO Susan Lloyd-Hurwitz.

Federal Housing Minister Julie Collins said the report was another reminder that too many Australians were struggling to secure safe and affordable housing.

"The findings highlight the need to pass legislation currently before the parliament," Ms Collins said.

Australia's housing sector has been hit by a raft of detached home builder collapses. High-rise developers are unable to sell new developments even with vacancy rates at record lows and rents soaring.

The Reserve Bank has lifted the benchmark lending rate from 0.1 per cent in May last year to 3.6 per cent in 10 consecutive moves.

Higher borrowing and construction costs halved sales of greenfield lots for detached homes last year, a report by developer group UDIA found, while a separate report by commercial agency JLL showed apartment completions in mainland state capitals slumped 45 per cent last year and that there would be no material increase in large-scale projects until 2025 at the earliest.

"Housing affordability and supply are likely to remain challenging for some time, underscoring the need for a holistic approach to mitigate the housing pressures Australians are facing," Mr Dal Bon said.

It will hurt vulnerable people the most.

NHFIC estimated that 377,600 households were already in situations of housing need, 331,000 households were in rental stress – typically spending more than 30 per cent of their household income on rent – and 46,500 households were experiencing homelessness.

Over the decade from 2023 to 2032, NHFIC forecasts a shortfall of 77,600 apartments and medium-density dwellings.

Australian Financial Review, 3 April 2023

Housing crisis crushes builders

EXCLUSIVE

PATRICK COMMINS
ECONOMICS CORRESPONDENT

Construction companies are failing at nearly double the pace of last year as a new report predicts the country will build 100,000 fewer homes than needed to keep up with demand over the coming five years, compounding the rental affordability crisis and making it harder for Australians to buy their first home.

Nearly 1500 building firms have failed since June 30, according to ASIC data, on track for the worst year in at least a decade.

Analysis by The Australian shows this accounts for nearly three in 10 insolvencies so far this financial year.

The new figures come as the National Housing Finance and Investment Commission said surging immigration and a downturn in the building sector meant household formation would "outpace new supply for several years", leading to intensifying affordability issues among renters and first home buyers.

The Australian has revealed the nation is set to experience its biggest two-year population surge in its history, with an extra 650,000 migrants this financial year.

"Returning migration at a time of low vacancy rates is likely to result in upward pressure on rents," the NHFIC report said.

The paper highlighted that the rental squeeze would shift towards inner-city areas, with the expected shortfall in the construction of new apartments accounting for 62,300 of the anticipated 106,300 shortfall total out to 2027.

Commission chief executive Nathan Dal Bon said the analysis suggested the major problems of affordability would only intensify, "underscoring the need for a holistic approach to mitigate the housing pressures Australians are facing".

Housing Minister Julie Collins said the paper underlined the need for Labor's $10bn Housing Australia Future Fund, which failed to pass through parliament in the recent sitting fortnight thanks to strong opposition from the Greens and independents, who are demanding more investment to build social housing.

Ms Collins said the estimated building shortfall emphasised that all levels of government needed to work together to help solve the housing challenge.

With new monthly home sales plummeting to their lowest level since at least 1996, Master Builders Australia chief executive Denita Wawn said "we are concerned with the decline in sales for volume builders reflecting a potential decline in activity for 2024 which will exacerbate an already difficult housing supply market both for rental and owner-occupiers".

Ms Wawn said "the most sustainable solution to the inflationary problem lies on the supply side, by bringing down the cost of doing business".

"This requires issues like labour shortages, materials costs, and the regulatory burdens to be dealt with in a focused and urgent manner," she said.

The Reserve Bank's monthly board meeting on Tuesday may deliver a pause in its most aggressive policy tightening in decades, but NHFIC said the damage of earlier and faster-than-expected rate rises was already done and would drag on the supply of new homes.

"Over the 3 years to 2024-25, NHFIC expects an average of 138,100 net new additions to be added to Australia's housing stock. This is well below the

The Australian, 3 April 2023

'A comprehensive report as usual, one which closely aligns with the findings of our own 'State of the Land' research report released earlier this week.'

Maxwell Shifman, President, UDIA,
3 April 2023

Michele Adair (she/her) @madair62 · Apr 3
Hard truths and **pragmatic observations** about what's needed to solve the #affordable #housing crisis

NHFIC @NHFIC_AUS · Apr 3
Today, NHFIC has released its third flagship 'State of the Nation's Housing 2022-23' research report. Read more here: nhfic.gov.au/research/state... #housing #research

1 4 6

Michele Adair, CEO, Housing Trust, Twitter, 3 April 2023

'The latest National Housing Finance Investment Corporation (NHFIC) *State of the Nation's Housing 2022–23* report confirms builders' concerns about achieving Australia's housing needs. Master Builders Australia CEO Denita Wawn said the report is more evidence that we are falling well short of the 200,000 homes needed each year to keep up with demand and address housing affordability challenges.'

Master Builders, media release, 3 April 2023

Julie Collins
@JulieCollinsMP

We know we need to work together to address Australia's housing challenges, and today's State of the Nation report is another reminder that too many people are struggling to find safe and affordable housing.

It highlights the need to establish the Housing Australia Future Fund.

9:19 AM · Apr 3, 2023 · **3,500** Views

8 Reposts **1** Quote **40** Likes

The Hon Julie Collins MP, Twitter, 26 April 2023

'The NHFIC Report expects around 180,000 new households to form each year, but less than 150,000 new homes to commence construction each year for the next two years. Over the decade, this will see an expected 79,300 shortfall in the supply of new homes. This will see the acute rental shortage worsening and unnecessarily high increases in home prices.

The Report also highlights that to meet the accelerated demand for new homes, there needs to be an increase in the number of apartments commencing construction.'

Tim Reardon, HIA's Chief Economist, 3 April 2023

NHFIC hosts industry presentation and panel discussion on *State of the Nation's Housing 2022–23* report.

Following the release of the State of the Nation's report, NHFIC hosted a panel event. The Hon Julie Collins MP, Minister for Housing, Minister for Homelessness and Minister for Small Business delivered the keynote address to around 150 senior executives from institutional investment and finance, property development and community housing sectors. The keynote presentation and panel discussion covered housing supply, demand (immigration and trends in household formation), housing affordability, institutional investment into the housing sector, and global investment trends into housing.

The panel event generated extensive media coverage and resulted in 27 stories, including *The Australian, Australian Financial Review* and *The Courier-Mail*.

NHFIC senior executives were also asked to present on the State of the Nation's Housing report at key industry events including the UDIA Queensland President's breakfast. These events were attended by senior executives from local government, major developers, investors, and representatives from the construction sector and CHPs.

HOME TRUTHS

How to fix Australia's housing crisis

Mackenzie Scott

Greater housing diversification and improved planning are needed if Australia wants to truly tackle the chronic shortage of homes which is challenging affordability and driving up rents, according to top property figures.

But the cards are stacked against more housing supply being added to the market over the next few years amid a wave of builder collapses, higher costs and interest rate pressures.

Building approvals have slumped to the lowest levels in 15 years after a bumper start to the decade, which was assisted by significant pandemic stimulus.

But the surge in demand caught out many home builders as they took on unprofitable work and hit the wall, worsening housing supply problems.

A shortfall of 106,300 homes will emerge over the next five years as both detached and unit construction weakens through to 2025, according to the federal government's housing body, the National Housing Finance and Investment Corporation

Speaking ahead of the body's State of the Nation's Housing event, Stockland chief executive Tarun Gupta said more must be done to diversify Australia's market.

"While undoubtedly our biggest lever, increasing the supply of private housing on its own will not solve Australia's affordability crisis," he said.

Continued Page 7

The Australian, 27 April 2023

'Act quickly' to ease rent crunch

Michael Bleby

Australia's rental crisis will worsen unless more homes are made available to accommodate the 650,000 extra immigrants the federal government expects to arrive in the next two years, according to Tarun Gupta, the head of the country's biggest housing estate developer Stockland.

Even as Stockland – which sells two-thirds of its homes to immigrant Australians – reported a pick-up in inquiry levels yesterday, Mr Gupta said it took new arrivals between three and four years on average to get jobs, a credit history and the deposit to put down on a house.

"This is the conundrum we're going to face shortly. It takes on average about three to four years before migrants will actually buy a new home," Mr Gupta told a panel discussion hosted by the National Housing Finance and Investment Corporation (NHFIC). "So all the migrants that are coming – the 650,000 in the next two years – are likely to rent. The rental market is extremely tight. So what you can anticipate in the absence of something else giving is rents are going to overheat even more."

A 4.9 per cent increase in rents over the year to March – the fastest rate in more than a decade – was one of the factors, along with higher energy bills, pushing services inflation to a two-decade high of 6.1 per cent, official figures showed.

"We are ... seeing the strongest and fastest synchronised upswing in rents across Australia's major capital cities in the last two decades," NHFIC CEO Nathan dal Bon said.

The increased pressure on housing demand from the inflow of migrants could pressure that supply further, Mr Gupta said.

"We've got to figure out a way of getting the new migrants into housing more quickly than the three years they normally take because otherwise you're going to have this dislocation caused by COVID continue to be amplified as the migrants come in," he said.

The faster-than-predicted rebound in net overseas migration is already prompting economists to redo their sums.

Continued p37

Australian Financial Review, 26 April 2023

Business

Housing diversification and better planning to make housing more affordable and abundant: industry

Australia's housing market is troubledwith a dearth of homes creating an affordability challenge across sales and rental markets. Developers want a co-ordinated effort to deliver more properties.

Mackenzie Scott Follow

The Australian Business Network 0 comments

The Courier-Mail, 26 April 2023

Panellists and moderator at NHFIC's State of the Nation's Housing event.

L–R Turi Condon, NHFIC Chief Corporate Affairs Officer, Michael Brennan, Productivity Commission Chair, the Hon Wayne Swan, Cbus Super Chair, Sophie Fallman, Brookfield Real Estate Group Managing Partner and Head of Real Estate in Australia, Tarun Gupta, Stockland Managing Director and CEO, Hugh Hartigan, NHFIC Head of Research, and Nathan Dal Bon, NHFIC CEO.

L–R Turi Condon, NHFIC Chief Corporate Affairs Officer, the Hon Wayne Swan, Cbus Super Chair, Tarun Gupta, Stockland Managing Director, and CEO, Sophie Fallman, Brookfield Real Estate Group, Managing Partner and Head of Real Estate in Australia, Michael Brennan, Productivity Commission Chair, Nathan Dal Bon, NHFIC CEO, and Hugh Hartigan, NHFIC Head of Research.

SOCIAL HOUSING CHALLENGE

The difficulty is to attract investment into the sector

GLENDA KORPORAAL

When Jim Chalmers outlined his grand vision last year for super funds and the government to come together on projects of national interest, including the construction of more social and affordable housing, the sector made it clear that it was not going to throw money at unprofitable projects.

Despite what some might see as a $1 trillion-plus industry super fund sector with origins in the union movement, the funds are very clear that they intend to abide by the requirement imposed under the Morrison government that they act in the best financial interests of their members.

That said, as recent meetings between the Treasurer and institutional investors including super fund representatives have shown, there is room for the government to introduce policies and incentives which can help make investment in politically worthwhile projects – such as social and affordable housing – more financially attractive.

One move in this direction was the proposed $10bn Housing Affordability Future Fund announced by the Albanese government last year as part of its goal to tackle the increasingly serious issue of housing affordability in Australia.

Federal Housing Minister Julie Collins says there are an estimated 174,000 people on public housing waiting lists.

According to the latest State of the Nation's housing sector report from the National Housing Finance and Investment Corporation – more than 377,000 households in Australia are in some form of housing need

In speech to a conference on the state of Australia's housing industry in Sydney hosted by NHFIC on Wednesday, Collins said the Housing Affordability Future Fund has the potential to generate the biggest single investment in social and affordable housing in more than a decade, helping to build some 30,000 new homes in its first five years.

Part of its income will go to providing financial incentives for institutional investors such as super funds to back the projects.

The fate of the fund remains in the balance, with the Greens threatening to block it in the Senate, unless the government agrees to end negative gearing and drop the 50 per cent deduction for the capital gains tax by investors.

Former treasurer Wayne Swan, who is now chair of the $75bn construction industry super fund Cbus, called the Greens move "crazy" and "wrecking ball politics".

The progress of the legislation will be closely followed by those super funds watching to see if the affordable housing sector can be made financially attractive in any way as an investment.

Institutional investors in Australia have not been big investors in the housing market – whether it be private housing or the even less financially attractive social and affordable housing.

But as the housing crisis deepens with Australia's borders opening up, and rental costs rising, and governments determined to take more co-ordinated policy approach to the problem, there are signs of a shift.

Super funds such as Cbus, UniSuper and HESTA, have subscribed for bonds issued by NHFIC to help fund community housing providers to develop more social housing.

The government is keen to expand the role of NHFIC as part of its housing policy and it has tasked it to come up with ways of attracting more super fund capital.

Cbus has its own construction arm, Cbus Property, which has undertaken residential development such as the up-market Newmarket apartment development in the eastern Sydney suburb of Randwick and has signalled its interest in playing a more active role in the affordable housing sector.

As Swan told the conference, he is not advocating the widespread use of subsidies to encourage more investment in housing, particularly social and affordable housing.

But he argues that targeted, coordinated policies can help bridge the financing gap.

Governments in Britain, Europe and the US have long encouraged the development of low-cost housing, including build-to- rent projects, through favourable tax structures.

One of Australia's largest super funds, the $150bn Aware Super, has been working with Lendlease in the US in the build-to-rent sector since 2018.

The former First State Super set up a $US2bn partnership in residential housing in major US cities such as New York, Chicago, and Boston.

Aware has drawn on the experience it has learned from overseas to look at the local market, recently committing $1.5bn to expanding its real estate portfolio in Australia, including 1250 affordable housing units by 2025.

The fund says it is already the largest investor in affordable housing in Australia and is keen to work with the federal government to expand its role.

Earlier this month, Aware announced plans for a $900m in-

The Australian, 27 April 2023

'We are facing extraordinary pressures on housing affordability where rising interest rates, supply chain constraints and increasing immigration are coalescing to create significant challenges – highlighting the importance of partnering with all levels of government and the private sector on sustainable long-term solutions to improve housing affordability and deliver on the Federal Government's initiatives.'

Nathan Dal Bon, CEO, NHFIC,
State of the Nation's Housing panel event

Adam Thompson
Putting people at the heart of housing solutions. Director, Partnerships and Communication...
4mo · Edited

Great morning spent listening in on an important conversation on the State of the Nation's Housing 2023 report produced by NHFIC (The National Housing Finance and Investment Corporation). While there is no shortage of challenges or urgency to address them in this space, encouraging to hear the optimism from leaders in the sector.

61 · 1 Comment

Adam Thompson, Director, Partnerships and Communications NSW Land and Housing Corporation, Linkedin, 26 April 2023

Table 12: Other NHFIC research published in 2022–23

Date	Name	Summary/topic
August 2022	**First home buyer behavioural analysis**	Collaboration with CBA and NAB. Provides data insights on the operation of the Government's HGS since its inception in January 2020 to 31 May 2022, benchmarked against broader first home buyer data for the equivalent period.
October 2022	**How supply and demand are affecting building cost inflation**	Examines how demand and supply factors affected building material cost inflation during 2021 and 2022.
November 2022	**FHLDS Trends & Insights**[1]	Provides key trends and insights over 2021–22 in FHLDS.
December 2022	**Analysis of Australia's rental markets**	Detailed sub-market analysis looking at rents across Australia.
March 2023	**International capital flows into social and affordable housing**	Examines the international experience of institutional investment into sub-market housing in comparable countries.

1. FHLDS was renamed HGS on 1 July 2022.

Applied and focused research and insights

During 2022–23, NHFIC published an additional five research reports relating to topics on housing demand, supply and affordability in Australia, making an ongoing contribution to public policy debates in line with NHFIC's key research objectives.

NHFIC's research function has released 15 research reports since January 2020.

The organisation also continued to engage in collaborations assisting in the performance of its functions, such as working with the CHP sector to establish a new ESG reporting standard. NHFIC also continued to Chair the Australian Housing Data Analytics Platform, a project aiming to improve the housing data ecosystem and the evidence base on housing issues.

Efforts were also concentrated on driving effective relationships across NHFIC's stakeholders. NHFIC's research function organised and participated in industry, government and academic meetings, roundtables, and forums.

A survey undertaken across government, industry and academia showed that 95% of respondents agreed that NHFIC's research is very relevant to what is important and helped raise awareness on Australian housing-related issues, including housing affordability.

Organisational resilience and responsiveness

High-performing organisation

Stakeholder engagement

NHFIC operates in a dynamic and complex environment. It is within this operating environment that NHFIC recognises the importance of maintaining and strengthening relationships with existing and new stakeholders and fostering partnerships to successfully deliver improved housing outcomes.

In 2022–23, NHFIC continued to engage broadly with all levels of government, CHPs, institutional investors, HGS participating panel lenders, industry associations, regulatory authorities, and developers to raise awareness, foster partnerships and promote participation in NHFIC programs.

Continued participation at CHP industry association events hosted by CHIA and PowerHousing – including roundtables with CEOs and CFOs of CHP members and regular dialogue with the sector – helped to broaden our reach and position NHFIC as a trusted and effective partner.

As part of the preparatory work on the Accord and HAFF, stakeholder relationships were strengthened and expanded through engagements across key sectors. NHFIC connected widely to raise awareness and facilitate greater collaboration and investment in social and affordable housing. This included connections with CHPs, governments, developers, institutional investors, banks, private financiers, impact investors, high-net worth individuals, and faith-based groups.

NHFIC sought to optimise its service and responsiveness through strong engagement with its 32[12] HGS panel lenders. The organisation continued to meet regularly with participating panel lenders on key strategic and operational activities and supported over 550 lender staff with multiple training sessions in response to HGS expansion. Engagement continued with lenders, key industry bodies Australian Banking Association (ABA) and Customer Owned Banking Association (COBA), and the Australian Prudential Regulation Authority (APRA) on broader market and regulatory changes. This further enhanced NHFIC's capacity to remain agile and responsive to the needs of its stakeholders.

During the year, NHFIC's participation and attendance at 66 key industry conferences and events provided a valuable opportunity to connect with stakeholders to increase awareness, understanding and market participation of NHFIC programs.

NHFIC's CEO Nathan Dal Bon undertook 36 speaking engagements at notable industry events, including the Australian Financial Review Property Summit, COBA Annual Convention, PCA and McKell Institute inaugural NSW Housing Summit, and the 2022 Economic and Social Outlook Conference hosted by The Melbourne Institute and *The Australian*.

NHFIC sought to enhance market visibility and optimise stakeholder experience through a refreshed website, with renewed content, improved branding and functionality, enhanced user experience, and best-practice accessibility.

12. Westpac Group commenced offering the Scheme form 1 July 2023.

L–R Third Sector: 5th National Housing and Homelessness Forum, Nathan Dal Bon, CEO NHFIC, Peter Johnston, Managing Director and Owner Lighthouse Infrastructure, Kim Sinclair, CEO SEARMS Community Housing Aboriginal Corporation, and Karen Walsh, CEO Venture Housing.

Karen Walsh, CEO, Venture Housing, addressing attendees.

NHFIC remains committed to identifying opportunities to partner with housing stakeholders and find innovative solutions to meet the expectations of Government and continue to support the delivery of more social and affordable homes.

Investment in the business

In its fifth year of operations, NHFIC's team grew from 51 to 79 employees to support ongoing expansion and growth. The additional headcount was across all parts of the organisation, including Origination, Credit, HGS and corporate functions (including IT and Finance). NHFIC continued to review its operating model to ensure it remained fit-for-purpose as business volumes increased. This included streamlining some processes, finetuning organisational structure, recruiting strategically to fill capacity gaps, offering group and individual learning and development to build capability, and realigning some functions to enhance efficiency.

Significant investment in technology was made in 2022–23 to support NHFIC's business activities, increase staff engagement and improve customer experience.

NHFIC brought additional resources and capability into the IT team as it starts to transition from its Service Level Agreement (SLA) with Export Finance Australia for IT operations. A key focus is strengthening IT governance to enable NHFIC to deliver consistent successful IT project outcomes, while growing the team.

NHFIC continued to work with the Australian Cyber Security Centre and other partners to strengthen its security and address the challenges of the ever-evolving threat landscape.

The organisation's cloud-based customer relationship management system continues to play a role in its digital transformation journey as NHFIC expands its capability and brings offline work onto the platform. Using a central platform creates many opportunities for automating tasks while increasing auditability of actions. As NHFIC continues to roll the system to other business units, it will increase collaboration and visibility across teams and provide enhanced data analysis and reporting capabilities.

NHFIC continued to provide additional capability and enhancements for customer facing systems that support its programs. This continues to improve the customer experience. By integrating into its core systems, this also reduces workload for internal supporting teams by creating a digitised end-to-end process.

More information can be found in Our People and culture, and Governance and accountability sections of this report.

Financial sustainability

NHFIC has continued on its path of sustainability by generating normalised profits for each of the last four financial years. The only year NHFIC did not generate a normalised profit was its first year of operation due to implementation and setup costs.

The reconciliation of statutory profit and loss to normalised profit and loss is shown in the Financial information section on page 97.

NHFIC's sustainability has been underpinned by consistent growth in our loan and investment portfolios which has generated sufficient revenues to cover operating costs and enable the accumulation of reserves as outlined in our legislation. Our focus on operational efficiency and careful management of our cost base has enabled NHFIC to effectively deliver the services expected by our customers.

Our solid financial position has enabled us to be well positioned for continued success as the business adapts to the needs of its customers, the changing operating environment and as the Government looks to broaden NHFIC's responsibilities with new and expanded programs.

Capital management

NHFIC is not regulated by APRA, but instead is guided by APRA's prudential standards with respect to capital adequacy.

The Board has previously developed a policy for capital adequacy to ensure sound capital management and ongoing profitability, drawing on APRA guidelines. On establishment, the AHBA was not provided with capital. Instead, the AHBA was provided operational funding for its first three years and the surplus operational funding has been accumulated as retained earnings.

Consistent with NHFIC's Act, over the medium term NHFIC will target to increase its capital and reserves through retained earnings to meet the minimum capital adequacy ratio set by the Board and until then is unlikely to pay dividends.

Our people and culture
Our governance and accountability
Our approach to risk management

Our people and culture

Structure and workforce profile

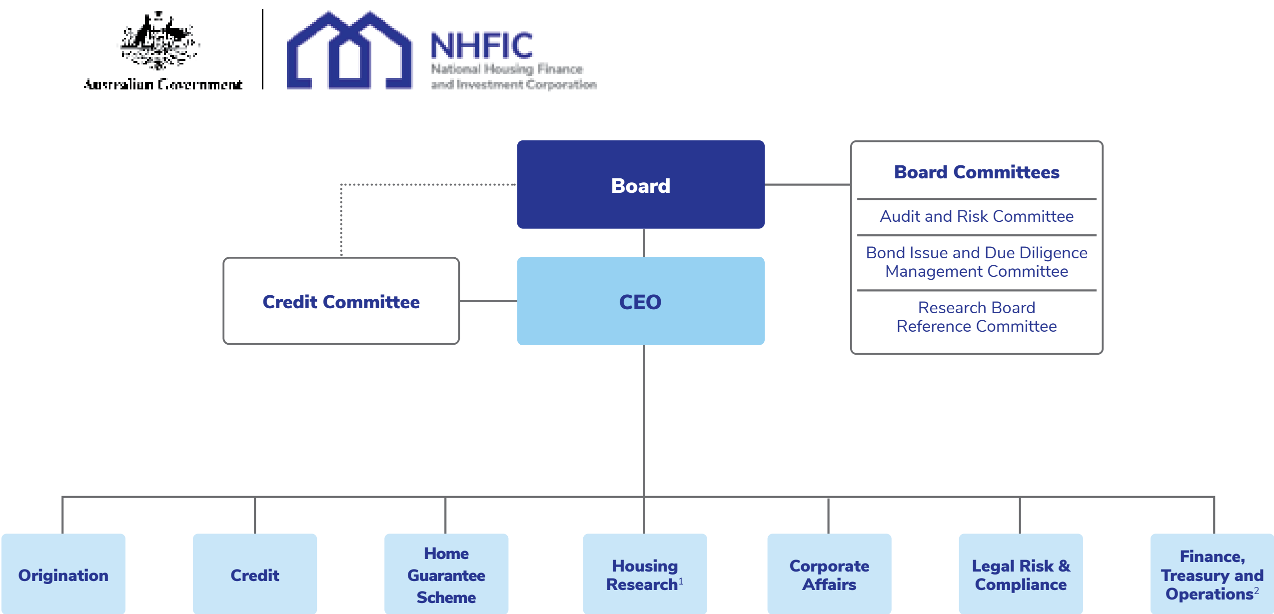
NHFIC is committed to operating as a high-performance organisation that empowers and supports its people. The organisation's professional, highly motivated, diverse and experienced team brings a wealth of experience from both public and private sectors.

Most of NHFIC's employees are based in Sydney, with a small number in Canberra. The Executive team in 2022–23 comprised the CEO, CFO & COO, and six senior executives overseeing key business areas (Figure 7).

As at 30 June 2023, NHFIC had 79 employees (78.7 FTEs), including 72.7 permanent FTEs and six short-term contract FTEs (Table 13). All employees are employed under the NHFIC Act on common law contracts and are not members of the Australian Public Service.

NHFIC leverages expertise and support from Export Finance Australia for certain corporate services and administrative functions under an SLA which ensures a cost-efficient use of Australian Government resources.

Figure 7: NHFIC organisational chart as at 30 June 2023



1. Data, Analytics & Insights from 1 July 2023.
2. Operations includes People & Culture and Technology.

Table 13: Number of FTE employees

Classification	30 June 2023	30 June 2022
Permanent employees	72.7	47.8
Short-term contract employees	6	2.8
Total	**78.7**[1]	**50.6**[2]

1. Two permanent employees were part-time in 2022–23.
2. One permanent and one fixed-term employee were part-time in 2022–23.

Table 14: Workforce diversity

Equal employment opportunities – designated group	30 June 2023		30 June 2022	
	Employees	**%**	**Employees**	**%**
Woman/Female	35	44	19	37
Man/Male	44	56	32	63
Non-binary, prefers not to answer, or uses a different term	0	0	0	0
Total	**79**	**100**	**51**	**100**
Non-English speaking background[1]	39	49	26	51
Aboriginal or Torres Strait Islander background	1	<1	1	2
People with disability	-	-	-	-

1. Non-English speaking background (or with parents who are from a non-English speaking background).

NHFIC team attending International Women's Day Breakfast in Sydney, 8 March 2023.

A diverse and inclusive culture

NHFIC promotes and supports an inclusive workplace by encouraging a culture that respects and embraces differences and diversity of thought. By valuing diverse experience, expertise and backgrounds, NHFIC can build a stronger organisation.

NHFIC is proud of its cultural diversity, with 49% of employees from a non-English speaking background or with parents from a non-English speaking background (Table 14).

Within NHFIC's employees, 18 different ancestries are represented and one employee identifies as an Aboriginal person. NHFIC recognises its diverse team enhances its ability to deliver services that are culturally appropriate, accessible, client-oriented and effective.

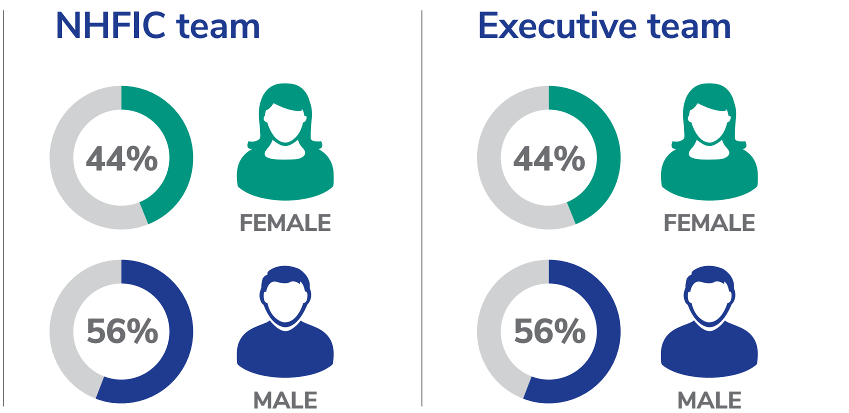
As at 30 June 2023, 44% of NHFIC's employees described their gender as woman or female and 56% as men or male. NHFIC's Executive team reflected similar percentages (Figure 8).

NHFIC recognises the importance of developing a meaningful relationship with Aboriginal and Torres Strait Islander stakeholders and communities and making a positive contribution to the vision of national reconciliation.

NHFIC began its reconciliation journey during the year with Reconciliation Australia endorsing NHFIC's first Reconciliation Action Plan (RAP), a Reflect RAP, in February 2023. The RAP has been adopted and embraced by the Board, Executive team and employees, along with protocols introduced for the Acknowledgment of Country and Welcome to Country, promoting an appreciation and respect for Aboriginal and Torres Strait Islander peoples.

NHFIC team celebrating Reconciliation Week in Sydney, 31 May 2023.

Figure 8: NHFIC team and Executive team diversity as at 30 June 2023



During the year, NHFIC continued to participate in Indigenous cultural recognition events, including National Reconciliation Week and NAIDOC Week. A highlight of NHFIC's Indigenous engagement was the unveiling of Archibald Prize winner Blak Douglas' artwork produced for NHFIC as part of its RAP, and a key part of its reconciliation journey.

NHFIC looks forward to enhancing existing relationships and creating new relationships built on respect, trust and opportunities for Aboriginal and Torres Strait Islander stakeholders and communities. In doing so, NHFIC continues to build a workplace that is inclusive to all and acknowledges the significance of equality and cooperation in the community.

L–R Nathan Dal Bon, CEO NHFIC, artist Blak Douglas, Stuart Neilson CFO & COO NHFIC, at the unveiling of NHFIC's reconciliation artwork in Sydney, September 2022.

Remuneration

NHFIC's remuneration strategy is designed to attract and retain the right people, with the necessary skills and expertise, to deliver on its purpose and achieve the strategic objectives and targets as set out in its corporate plan. The organisation strives for a high-performance culture that recognises highly capable employees while remaining aligned to market practices and complying with Australian Government policies for its statutory agencies.

2022–23 remuneration structure

Board remuneration

All NHFIC Board members are appointed by the Australian Government through the Minister. The Board is established and governed by the provisions of the NHFIC Act.

Fees for Board members are set and paid according to the determinations of the Australian Government Remuneration Tribunal (the Tribunal), an independent statutory authority overseeing the remuneration of key Commonwealth offices. NHFIC is required to comply with the Tribunal's determinations and plays no role in the consideration or determination of Board member fees.

The Tribunal sets annual Chair and Board fees (exclusive of statutory superannuation contributions).

The Chair's fee includes all activities undertaken on behalf of NHFIC (inclusive of committee participation), however additional fees are payable to the Board members appointed to the Audit and Risk Committee.

Statutory superannuation is paid in addition to the fees set by the Tribunal.

Executive remuneration

NHFIC's remuneration structure is designed to be competitive and reward high-performing senior executives and staff, while complying with all NHFIC's regulatory obligations.

In June 2021, the Board ceased the use of performance bonuses or 'at risk' remuneration and effected a new remuneration structure based on Australian Government guidance. The new structure took effect from 1 July 2021 and comprises fixed annual remuneration (FAR) only.

For senior executives and highly paid employees, their expertise, relevant government policies and industry benchmarks influence the setting of their FAR. As a public financial corporation, NHFIC works within the parameters of the Australian Government's Public Sector Workplace Relations Policy 2023 to the extent practicable and commensurate with NHFIC's commercial and competitive circumstances. Factors considered when setting the appropriate FAR for senior executives and staff include market data for comparable roles, complexity of the role, internal relativities, an individual's skills and experience, and individual performance assessments.

NHFIC uses current Financial Institutions Remuneration Group data and relevant Government information to provide independent benchmarking in determining appropriate remuneration for roles across the organisation.

The organisation benchmarks remuneration to position remuneration competitively against comparable organisations. The guiding principle for remuneration benchmarking is to position remuneration towards the mid-point of the benchmark for comparable roles in the Australian market, while working within the parameters set by the Australian Public Service Commission.

The FAR for NHFIC's CEO is determined by the Tribunal and the role is classified as a full-time public office holder. It includes base salary, allowances, superannuation contributions and any non-cash benefits. The CEO also accrues long-service leave and does not receive a discretionary bonus.

Table 15: Key management personnel (KMP) as at 30 June 2023

Name	Title	2022–23 status	KMP status
Carol Austin	Board member (Chair)	Part year	Current
Philip Barresi	Board member	Part year	Former
Tony De Domenico OAM	Board member	Full year	Current
Teresa Dyson[1]	Board member	Full year	Current
Adrian Harrington	Board member (Chair)	Part year	Former
Jane Hewitt	Board member	Full year	Current
Nigel Ray PSM	Board member	Part year	Current
Kelvin Ryan	Board member	Full year	Current
Hon Richard Wynne	Board Member	Part year	Current
Nathan Dal Bon	Chief Executive Officer	Full year	Current
Stuart Neilson	Chief Financial Officer & Chief Operating Officer	Full year	Current

1. Acting Chair from 1 April 2023 to 4 June 2023.

Remuneration governance arrangements

Management

NHFIC management is accountable for ensuring it rewards employees responsibly with regard to the organisation's performance, individual performance, statutory and regulatory requirements, and current business norms.

For Executive remuneration decisions, management achieves this by:

- the CEO makes FAR recommendations for new senior executives, which are endorsed by the Board
- senior executives make FAR recommendations for employees within their business areas, including other highly paid employees, which are endorsed by the CEO

NHFIC has appropriate and robust performance management and remuneration policies and practices in place.

Board

The Board is responsible for ensuring NHFIC has appropriate policies and practices that fairly and responsibly manage the performance and remuneration arrangements for the CEO and senior executives. The Board achieves this by:

- monitoring management's performance against NHFIC's annual corporate plan
- assessing the performance of the CEO
- providing guidance to the CEO on matters concerning the appointment and evaluation of senior executives.

Key management remuneration

During the year ending 30 June 2023, NHFIC had nine Board members and two senior executives who met the definition of KMP. Their names and length of term as KMP are summarised in Table 15. The following changes were made during the year:

- Adrian Harrington ceased to be a KMP on 31 March 2023
- Phillip Barresi ceased to be a KMP on 31 May 2023
- Hon Richard Wynne was appointed as a KMP on 1 June 2023
- Nigel Ray was appointed as a KMP on 1 June 2023
- Carol Austin was appointed as a KMP on 5 June 2023.

In accordance with the PGPA Rule 2014, this report contains summary data of the remuneration received by KMP (Table 16), senior executives (Table 17) and other highly paid employees (Table 18) in 2022–23. Other highly paid employees are employees who are neither KMP nor senior executives and whose total remuneration exceeds the $240,000 threshold for this reporting period.

Table 16: Remuneration of key management personnel for the reporting period 2022–23

			Short-term benefits				Post-employment benefits	Other long-term benefits			
Name	**Position title**	**Salary**	**Annual leave adjustment**	**Base salary**	**Bonuses**	**Other benefits and allowances**	**Superannuation contributions**	**Long service leave**	**Other long-term benefits**	**Termination benefits**	**Total remuneration $**
Carol Austin	Chair	9,493	-	9,493	-	-	997	-	-	-	10,489
Phillip Barresi	Board	59,904	-	59,904	-	-	6,290	-	-	-	66,194
Tony De Domenico OAM	Board	65,350	-	65,350	-	-	6,862	-	-	-	72,212
Teresa Dyson	Board	79,728	-	79,728	-	-	8,371	-	-	-	88,099
Adrian Harrington	Board	85,433	-	85,433	-	-	8,970	-	-	-	94,403
Jane Hewitt	Board	67,445	-	67,445	-	-	7,082	-	-	-	74,527
Nigel Ray PSM	Board	4,747	-	4,747	-	-	498	-	-	-	5,245
Kelvin Ryan	Board	56,960	-	56,960	-	-	5,981	-	-	-	62,941
Hon Richard Wynne	Board	4,747	-	4,747	-	-	498	-	-	-	5,245
Nathan Dal Bon	CEO	457,522	21,038	478,560	-	-	67,116	11,432	-	-	557,108
Stuart Neilson	CFO & COO	476,748	3,470	480,218	-	-	27,762	11,312	-	-	519,292
Total		**1,368,077**	**24,508**	**1,392,585**	**-**	**-**	**140,427**	**22,744**	**-**	**-**	**1,555,755**

NB: This table should be read in conjunction with Note 4.2 of the financial statements which details the basis of the calculation.

Table 17: Remuneration of senior executives for the reporting period 2022–23

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of senior executive staff	Average base salary $	Average bonuses $	Average other benefits and allowances $	Average superannuation contributions $	Average long service leave $	Average other long-term benefits $	Average termination benefits $	Average total remuneration $
$295,001 – $320,000	1	255,239	-	-	48,456	6,629	-	-	310,324
$395,001 – $420,000	1	362,574	-	-	36,170	8,597	-	-	407,341
$420,001 – $445,000	2	383,370	-	-	39,829	9,468	-	-	432,667
$470,001 – $495,000	1	420,457	-	-	42,826	10,181	-	-	473,464
$520,001 – $545,000	1	487,589	-	-	28,116	11,199	-	-	526,904
	6								

Table 18: Remuneration of other highly paid employees for the reporting period 2022–23

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of highly paid employees	Average base salary $	Average bonuses $	Average other benefits and allowances $	Average superannuation contributions $	Average long service leave $	Average other long-term benefits $	Average termination benefits $	Average total remuneration $
$240,000 – $245,000	2	215,077	-	-	22,210	5,373	-	-	242,660
$245,001 – $270,000	5	228,963	-	-	23,263	5,514	-	-	257,740
$295,001 – $320,000	6	273,707	-	333	27,342	6,491	-	-	307,873
$320,001 – $345,000	4	288,771	-	-	41,987	7,038	-	-	337,796
$345,001 – $370,000	1	311,015	-	-	33,215	8,144	-	-	352,374
$370,001 – $395,000	1	334,185	-	-	33,463	7,918	-	-	375,566
$395,001 – $420,000	1	354,307	-	-	36,028	8,597	-	-	398,932
	20								

Building team capability

This financial year was a period of significant growth for NHFIC. Each business unit expanded to meet the needs of increased business volumes and the planning and preparatory work required to administer the Australian Government's expanded housing policy agenda. This includes planning for a major increase in headcount to support social and affordable programs, as well as expanding the HGS and potentially implementing Help to Buy.

During 2022–23, NHFIC grew in size, complexity and function. The organisation recruited 29 employees to facilitate more complex financial transactions, deliver the new HGS, and manage credit, enterprise and operational risks. In addition to hiring new employees, NHFIC was also able to retain staff in key positions despite a challenging labour market.

Significant investment was made in technology during the year to streamline operations, enhance productivity, increase staff engagement and improve customer experience.

NHFIC continued to roll out a cloud-based customer relationship management system across the organisation to increase collaboration and visibility across teams and provide enhanced data analysis and reporting capabilities. To address increased headcount and administrative efficiency, NHFIC is implementing ELMO, a new human resources (HR) system. This system covers HR records administration, recruitment and onboarding, performance management, succession planning, learning and development resources, and payroll.

NHFIC invests in developing the technical and leadership capabilities of its people through initiatives including:

- targeted learning and development opportunities for employees, individual programs, knowledge sharing sessions and external coaching
- attendance at professional and industry seminars and conferences
- formal study assistance.

NHFIC also provides ongoing compliance training and periodic briefings for all employees and requires all employees to complete a suite of refresher training annually. This ensures they are up-to-date with legislative requirements and other compliance matters, their legal obligations in financial dealings, information security, and other emerging matters. All new employees complete a full suite of mandatory training as part of their induction and onboarding.

Employee engagement

NHFIC's second employee engagement survey in June 2023 had a 90% response rate. Overall results indicated a highly engaged workforce and provided great feedback, including:

- strong alignment with NHFIC's purpose and team objectives (91%)
- positive responses to care from manager (92%)
- importance of individual role (91%)
- understanding expectations at work (89%)
- connection with co-workers (89%)
- co-worker commitment to quality work (88%)
- being heard (88%).

NHFIC's Executive team has been working through the survey results and comments and will focus on prioritising and implementing initiatives for continuous improvement.

Employee health, safety and wellbeing

The physical and mental health of employees is vitally important to NHFIC. Employees and their immediate families are provided with access to an Employee Assistance Program with confidential counselling and other support services, including wellness. NHFIC also has an annual influenza vaccination program and provides salary continuance cover for eligible employees.

NHFIC is committed to providing a positive and safe work environment for all employees, in line with requirements under the *Work Health and Safety Act 2011* (WHS Act).

NHFIC's WHS Committee, made up of employee and management representatives, helps our Board to meet its WHS obligations and provides an important forum to ensure our workplace is safe. The WHS Committee meets quarterly to review the findings of regular workplace inspections by our Health and Safety Representative, establish an action plan to address any material issues and monitor ongoing risks.

The organisation takes a pragmatic, risk-based approach to maintaining its WHS compliance framework and management practices. This is backed by a strong culture of incident notification and investigation which includes reporting any accidents and near misses.

To support this approach, NHFIC provides a WHS overview to all new employees, secondees, contractors and consultants, and ongoing training on safe workplace behaviour as part of its annual compliance program. It also provides regular training for first aid officers, mental health first aid officers and fire wardens, and ensures officers and key employees (including the WHS Committee) undertake additional training to increase awareness of legislative requirements and best practice.

NHFIC also works closely with employees to provide individual flexible working arrangements to accommodate their personal circumstances while supporting their health and wellbeing. The organisation has a hybrid-working model, combining working in the office and working at home.

Notifiable incidents and investigations

NHFIC records and monitors hazards and controls. In 2022–23, the organisation did not receive any notices and was not investigated for WHS matters. There were no notifiable incidents or near misses under the WHS Act.

Indemnities and insurance

NHFIC's Board members and employees are indemnified in relation to liabilities and related legal costs incurred as officers of NHFIC. The scope of this indemnity is consistent with legislative requirements.

NHFIC also maintained and paid premiums for professional indemnity insurance and directors' and officers' liability insurance, including cover for certain legal costs. In total, NHFIC incurred premium expenses of $505,000. NHFIC did not pay out any amounts in connection with any Board member or employee indemnities during 2022–23.

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

Our governance and accountability

The NHFIC Board is responsible for NHFIC's corporate governance and operations.

Accountability

NHFIC is established under the NHFIC Act and is defined as a corporate Commonwealth entity under the PGPA Act.

NHFIC is part of the Treasury portfolio of agencies and reports to the Minister for Housing, Minister for Homelessness and Minister for Small Business, the Hon Julie Collins MP Minister. The Minister was the Responsible Minister for the reporting period.

The duties of the responsible Minister in relation to NHFIC are set out in the NHFIC Act. These include that the Minister appoints the Board and may provide directions about the performance of NHFIC's functions in the form of an Investment Mandate, including in relation to such matters as strategies and policies the Board must observe, decision-making criteria, limits on financial assistance, and risk and return on investments. The Investment Mandate may not, however, direct the Board in relation to particular financing decisions.

The Board must keep the Minister informed about NHFIC's operations and provide any information the Minister may require.

At the date of signing this Annual Report, the National Housing Finance and Investment Corporation Investment Mandate Direction 2018 (Compilation No. 9) is the operative direction (Investment Mandate).

Compilation No. 9 incorporates all amendments made to the Investment Mandate as at 1 July 2023, including the amendments made in the reporting period:

- National Housing Finance and Investment Corporation Investment Mandate Amendment (Regional First Home Buyer Guarantee) Direction 2022 (23 September 2022)
- National Housing Finance and Investment Corporation Investment Mandate Amendment (Social and Affordable Housing) Direction 2022 (18 November 2022)
- National Housing Finance and Investment Corporation Investment Mandate Amendment (Liability Cap Update) Direction 2023 (6 June 2023)
- National Housing Finance and Investment Corporation Investment Mandate Amendment (Removal of Limit on Major Bank Guarantees) Direction 2023 (14 June 2023): and
- National Housing Finance and Investment Corporation Investment Mandate Amendment (Enhancing the Home Guarantee Scheme) Direction 2023 (27 June 2023).

In addition to the NHFIC Act and Investment Mandate, following the previous Government's response to the statutory review of the NHFIC Act, the former Minister issued the NHFIC Board with a Statement of Expectations (SOE). The Board responded with a Statement of Intent (SOI). A copy of the SOI is available on NHFIC's website at nhfic.gov.au

As a corporate Commonwealth entity, NHFIC is subject to the requirements of the PGPA Act in relation to corporate governance, reporting and accountability.

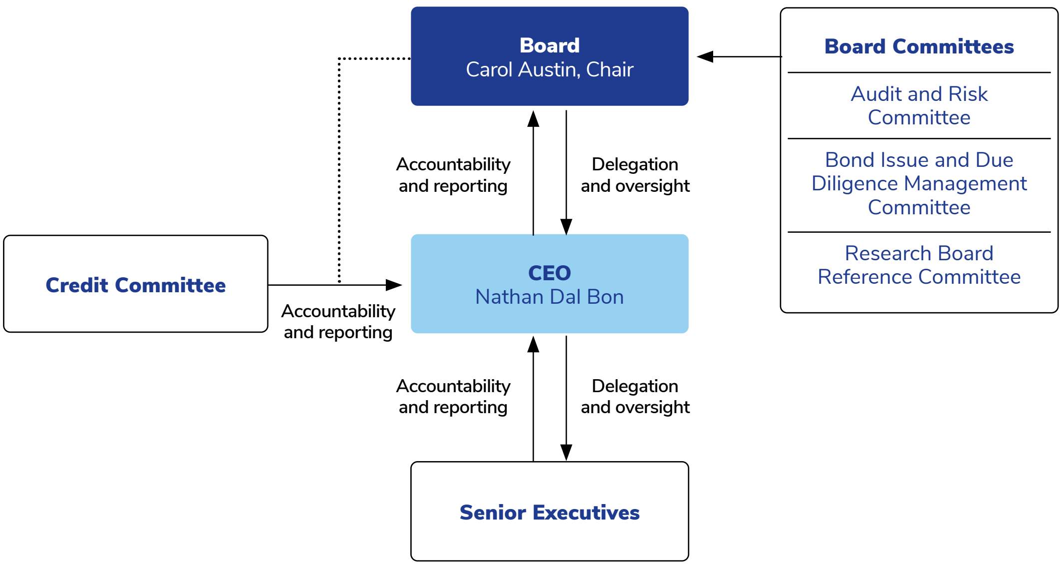
The Minister or Minister's representative responds to questions from members of Parliament about NHFIC, and the Parliamentary Orders relating to NHFIC. Members of NHFIC's Executive team may be requested to attend Senate Estimate hearings to answer questions on NHFIC's operations. In 2022–23, NHFIC appeared before the Economics Legislation Committee for Senate Estimates on 9 November 2022 and 16 February 2023 and was excused from attending on 30 May 2023.

Corporate governance

NHFIC is committed to maintaining high standards of corporate governance which it considers essential to being a long-term sustainable organisation and to continually act in the best interests of the Australian public.

To develop a governance framework that is fit-for-purpose and appropriate for NHFIC's size and function, NHFIC considered its statutory responsibilities under the NHFIC Act, Investment Mandate, PGPA Act, PGPA Rule and other relevant legislation, as well as the relevant parts of the ASX *Corporate Governance Principles and Recommendations* (4th Edition), which are considered the benchmark for good corporate governance practices in Australia. NHFIC's corporate governance structure is covered in Figure 9.

Figure 9: Corporate governance structure at NHFIC as at 30 June 2023



The Board

During the reporting period, the Board comprised a Chair and a minimum of five and a maximum of six independent non-executive members (Table 19).

Table 19: NHFIC Board members during the reporting period

Member	Term	Appointment start date	Appointment end date	Board committees 2022–23
Carol Austin[1]	5 years	5 June 2023	4 June 2028	
Phillip Barresi	5 years	10 April 2019	9 April 2024 (Resigned 31 May 2023)	Audit and Risk Committee
Tony De Domenico OAM	5 years	10 April 2019	9 April 2024	Audit and Risk Committee Research Board Reference Committee
Teresa Dyson[2]	5 years	26 July 2018	25 July 2023	Audit and Risk Committee
Adrian Harrington[3]	5 years	19 July 2021	18 July 2026 (Resigned 31 March 2023)	Bond Issue and Due Diligence Management Committee
Jane Hewitt	3 years	26 July 2021	25 July 2024	Audit and Risk Committee Bond Issue and Due Diligence Management Committee
Nigel Ray PSM	5 years	1 June 2023	31 May 2028	
Kelvin Ryan	5 years	19 July 2021	18 July 2026	Research Board Reference Committee
Hon Richard Wynne	5 years	1 June 2023	31 May 2028	

1. Chair from 5 June 2023.
2. Acting Chair from 1 April 2023 to 4 June 2023.
3. Chair until 31 March 2023.

Roles and responsibilities of the Board

The NHFIC Board is ultimately responsible for the overall operation and stewardship of the organisation. It reports to the Parliament through the Minister. In performing its role, the Board decides – within the scope of the Investment Mandate – the strategies and policies to be followed by NHFIC. It monitors compliance with those strategies and policies, defines NHFIC's risk appetite, makes financing decisions, and otherwise ensures the proper, efficient and effective performance of NHFIC functions.

The Board's key responsibilities are:

- providing input to and approving NHFIC's strategic direction, objectives, goals and budgets, as developed by management, in a manner which is at all times consistent with NHFIC's functions under the NHFIC Act and the Investment Mandate
- directing, monitoring and assessing NHFIC's performance against strategic and business plans, approving and monitoring expenditure, and reviewing and approving the major policies of NHFIC
- identifying the principal business risks, ensuring NHFIC has in place an appropriate risk management framework and establishing the acceptable levels of risk within which the Board expects the management of NHFIC to operate
- reviewing and approving the systems of internal compliance and control, audit, risk management and legal compliance, to determine the integrity and effectiveness of those systems
- approving and monitoring material internal and external financial and other reporting and monitoring the operational and financial position and performance of NHFIC
- ensuring that the capital and reserves of NHFIC are sufficient to meet the likely liabilities of NHFIC, and to make adequate provision for default in the repayment of principal, or in the payment of interest or other charges, in connection with loans made by NHFIC
- ensuring ethical behaviour and compliance with NHFIC's own governing documents, including NHFIC's code of conduct and corporate governance standards.

More details of the responsibilities of the Board are set out in the Board Charter, which is reviewed annually. A copy is available at NHFIC's website at nhfic.gov.au.

Board size, appointment and skills

The NHFIC Board must include a Chair and a minimum of four and maximum of six other members. Board members are appointed by the Minister, under a formal letter of appointment setting out key terms and conditions. The maximum term of office for Board members is five years unless reappointed by the Minister for a further term.

In appointing Board members, the Minister must ensure that Board members collectively have an appropriate balance of qualifications, skills or experience. This includes skills in banking and finance, law, housing (including social or affordable housing), infrastructure planning and financing, local government, and public policy.

Board members are required to disclose, and take reasonable steps to avoid, any conflict of interest (real or perceived) in connection with their duties as office holder.

Board and other committees

To assist the Board to discharge its responsibilities, the Board has established three committees: the Audit and Risk Committee (ARC); the Bond Issue and Due Diligence Management Committee (BIDDMC); and the Research Board Reference Committee. NHFIC has also established a Credit Committee and an Executive Risk and Compliance Committee which both report directly to the CEO.

Each committee is governed by its own charter, detailing its roles and responsibilities, membership requirements and frequency of meeting (Table 20).

Table 20: NHFIC committees

Committee	Roles and responsibilities	Membership requirements	Frequency of meetings
Board Committee – Audit and Risk Committee	Assists the Board by reviewing the appropriateness of the Board's financial reporting, performance reporting, risk management and internal controls.	The Committee must comprise: • at least three members • members who are not employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the ARC to perform its functions.	At least three times per year
Board Committee – Bond Issue and Due Diligence Management Committee	Assists the Board to execute on NHFIC's strategy and achieve the optimal pricing on bonds issued by NHFIC in the wholesale debt capital market; optimise the use of funding sources for its AHBA loans business; optimise the investment of NHFIC's capital and reserves and short-term surplus cash; and manage NHFIC's exposures to interest rate risk and liquidity risk.	The Committee must comprise: • at least three members • a majority of which must not be employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the Bond Issue and Due Diligence Management Committee to perform its functions.	At least three times per year
Board Committee – Research Board Reference Committee	Assists the NHFIC Board with the oversight and management of work undertaken by the research function in accordance with NHFIC's Investment Mandate.	The Committee must comprise at least two members appointed by the Board. All members must have appropriate knowledge, skills and experience to assist the Research Board Reference Committee to perform its functions.	Monthly or as required
Credit Committee	Assists NHFIC with the objective oversight and management of credit risk arising from providing finance to proponents eligible under NHFIC's Investment Mandate. The Credit Committee works closely with NHFIC's credit assessment team.	The Committee must comprise: • at least three members • members who are independent from the Board • a majority of members who must not be employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the Credit Committee to perform its functions. Current members: Rowena Johnston (Chair); Ian Shaw; Garry McLean; Adam Ohlstein; and Jeremy Brasington (appointed July 2022).	Monthly or as required
Executive Risk and Compliance Committee	Identifies and monitors significant risks to NHFIC, maintains and promotes NHFIC's risk management and compliance frameworks and policies, manages risks in line with those frameworks and policies, and implements and oversees control processes and risk mitigation strategies.	The Committee comprises the CEO (or delegate) and the CEO's direct reports.	Quarterly or as required

Further details of the responsibilities of the committees are set out in each committee's charter. The charters are reviewed annually and a copy of each is available at Charters | NHFIC

Ethical and responsible behaviour

Codes of conduct

NHFIC's codes of conduct for Board members and employees provide information about the behaviours that NHFIC expects and seeks to foster a culture where ethical conduct is valued and demonstrated in its day-to-day business.

All employees, secondees, consultants and contractors are required to demonstrate behaviours consistent with the following standards:

- act with care, diligence, impartiality and objectivity
- perform to the best of their ability, maintaining high standards of honesty and integrity
- treat everyone with courtesy and respect, without coercion or harassment of any kind
- consider matters on their merits
- comply with applicable Australian laws and NHFIC policies, procedures and guidelines.

The codes of conduct are supported by internal policies and procedures, providing further guidance on acceptable actions and behaviour.

Public interest disclosure (whistleblower) protection

NHFIC is committed to maintaining the highest standards of ethical and accountable conduct and ensuring that individuals who make public interest disclosures are provided with the protections available under the *Public Interest Disclosures Act 2013* (PID Act).

NHFIC has developed detailed processes to be followed by supervisors, authorised officers, the principal officer and investigation delegates for reporting, investigating and responding to disclosures made under the PID Act.

NHFIC's Public Interest Disclosure (Whistleblower) Policy provides a framework for the escalation of disclosable conduct. This includes conduct that is illegal, corrupt, unethical or is an abuse of public trust. The Policy applies to all Board members and current and former employees, secondees, consultants and contractors of NHFIC.

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF)

NHFIC is required to have an AML/CTF program in place which, among other things, identifies, manages and reduces the risk of money laundering and terrorism financing it potentially faces.

NHFIC has enrolled with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and developed a comprehensive AML/CTF program. The program includes a framework for reporting suspicious matters to AUSTRAC together with comprehensive Know your Customer (KYC), ongoing customer due diligence and transaction monitoring procedures.

Corporate reporting

Internal controls

NHFIC has a number of internal controls and policies to ensure the integrity of its corporate reporting systems, including the accuracy of financial reporting. These internal controls take the form of appropriate financial delegations, financial planning and reporting, and compliance with appropriate procurement standards.

All corporate reports are reviewed by members of the Executive team and the Board before their release to the public. This process helps ensure that corporate reports are accurate, balanced and understandable, and provide the responsible Minister with appropriate information to make informed decisions.

Financial statements audit

The Auditor-General is responsible for auditing the financial statements. The external audit for 2022–23 was performed by the ANAO.

Declaration by the Chief Executive Officer & Chief Financial Officer

Prior to the approval of the annual financial statements by the Board, the CEO and CFO provided confirmation in writing that NHFIC's financial records have been properly maintained and that the financial statements give a true and fair view of the financial position and performance of NHFIC.

The CEO and CFO also make annual representations in relation to the adequacy and effectiveness of NHFIC's risk management framework and internal controls.

Environmental reporting

Ecologically Sustainable Development

NHFIC has a statutory obligation under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* to report on how its activities accord with Ecologically Sustainable Development principles. NHFIC complies with this responsibility through application of its Good Corporate Citizenship Policy.

Good Corporate Citizenship Policy

NHFIC's Good Corporate Citizenship Policy is consistent with the Australian Government's expectations outlined in the Investment Mandate. Section 31 of the Investment Mandate requires NHFIC to have regard to Australian best-practice governance principles and the Australian best-practice corporate governance for commercial financiers when performing its functions, including developing and annually reviewing policies on ESG issues.

Environmental footprint

One of NHFIC's key priorities is to minimise its environmental footprint, including its energy and water use, solid waste generation and business travel.

Commencing in 2022–23 as part of its annual reporting requirements, NHFIC is required to report on emissions from its operations.

In 2022–23, NHFIC operated from two locations:

1. a head office at Export House in Sydney NSW, where NHFIC has an SLA with Export Finance Australia
2. a serviced office space in the ACT, which is used by NHFIC's Canberra-based employees.

NHFIC employees flew around 246,000 kilometres during 2022–23.

Modern slavery

NHFIC is committed to continuously improving the way it identifies and mitigates the risk of modern slavery occurring within its business operations, supply chain and customer relationships.

Since 2021–22, NHFIC has produced an annual Modern Slavery Statement, which sets out its approach to modern slavery and how the organisation identifies and mitigates this risk from occurring within NHFIC's business operations, supply chain and customer relationships.

Table 21: Greenhouse gas emissions inventory – location-based method 2022–23

Emission source	Scope 1 kg CO_2-e	Scope 2 kg CO_2-e	Scope 3 kg CO_2-e	Total kg CO_2-e
Electricity (location-based method)	N/A	41,320	3,396	44,716
Natural gas	-	N/A	-	-
Fleet vehicles	-	N/A	-	-
Domestic flights	N/A	N/A	36,430	36,430
Other energy	-	N/A	-	-
Total kg CO_2-e	**-**	**41,320**	**39,826**	**81,146**

Our Board

Carol Austin

Chair

Term of appointment[13]

5 June 2023 to 4 June 2028

Carol has over 30 years' experience in the finance industry and is currently Chair of the ACT Government Investment Advisory Board, and a director of NSW State Super, the Grattan Institute and Infoxchange, and a member of the Investment, Audit and Risk Committee of the General Sir John Monash Foundation.

Her previous board roles include as a director of HSBC Bank Australia, the Tasmanian Public Finance Corporation, and a guardian of the Future Fund. She recently served as a member of the Independent Panel appointed to review the Australian Energy Regulator's draft 2022 Rate of Return Instrument. Carol has also served on the advisory boards of the Australian Office of Financial Management and the Melbourne Institute of Applied Economic and Social Research, and was a Commissioner with the NSW Independent Planning Commission.

Her executive career included economic research and senior management roles with the Reserve Bank of Australia, BHP, Contango Asset Management, Rothschild Australia Asset Management and Commonwealth Funds Management.

Carol holds a Bachelor of Science from Monash University and a Bachelor of Economics (Hons) from the Australian National University. She is a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.

Tony De Domenico OAM

Member

Term of appointment

10 April 2019 to 9 April 2024

Tony has over 40 years of experience across government, corporate, community and education sectors both domestically and internationally. Tony currently Chairs the Boards of Plastic Oceans Australasia and Bertocchi Food Group, and is a director of Common Equity Housing Ltd. He is a Life Member of both the the Urban Development Institute of Australia and the Italian Chamber of Commerce and a Corporate Life Governor of The Royal Life Saving Society ACT.

Tony was previously the Executive Director of the Urban Development Institute of Australia, Chair of Places Victoria, and Deputy Chair of Development Victoria , and has served on the Council of La Trobe University including a term as Deputy Chancellor. He was Chair of the Australian Housing and Urban Research Institute from 2014 to 2018.

Tony has extensive diplomacy experience, serving as a trade and investment diplomat based in Milan. From 1992 to 1997 he was elected to the ACT Legislative Assembly where he was appointed Deputy Chief Minister, Minister for Urban Services, and Minister for Economic Development and Regulatory Reform. Tony was awarded a Medal in The Order of Australia at the Queen's Birthday Honours List in 2018 for his contribution to urban planning, research and development in Victoria.

13. On 1 June 2023, the Minister announced the appointment of Carol Austin as Chair from 5 June 2023, replacing the outgoing Acting Chair Teresa Dyson.

Teresa Dyson

Member and Acting Chair from 1 April 2023 to 4 June 2023

Term of appointment

26 July 2018 to 25 July 2023[14]

Teresa is an experienced company director and chair following over 20 years practising as a senior taxation lawyer advising on infrastructure transactions, financing, corporate tax, mergers and acquisitions, the not-for-profit sector, and tax controversy matters.

Teresa is currently a director on the boards of Genex Power Ltd, Seven West Media Ltd, Shine Justice Ltd, FARE, Energy Queensland Ltd, Gold Coast Hospital and Health Board and Brighter Super. Teresa is also a member of the Takeovers Panel and the Foreign Investment Review Board.

Teresa has formerly served as the Chair of the Law Council of Australia, Business Law Section and has also been a Partner at Deloitte and Ashurst (formerly Blake Dawson). She is a former Chair and member of the Board of Taxation.

Teresa holds a Bachelor of Arts, Bachelor of Laws (Hons) and Master of Taxation from the University of Queensland, a Master of Applied Finance from Macquarie University, and is a Graduate of the Australian Institute of Company Directors. Teresa has been admitted as a solicitor in New South Wales, Victoria, Queensland and to the High Court of Australia.

Jane Hewitt

Member

Term of appointment

26 July 2021 to 25 July 2024

Jane was appointed a Non-Executive Director of Mirvac in December 2018. Jane has over 27 years' experience in real estate development and asset management. She founded UniLodge in 1996 and pioneered the corporatisation and professional development and management of student accommodation facilities on and off university campuses in Australia and New Zealand.

As an entrepreneur and founder Jane has extensive operational experience and a strong track record in developing successful partnerships in real estate and business ventures. She developed UniLodge into an operation with assets of approximately $1 billion.

More recently, Jane has worked with Social Ventures Australia and currently serves on a non-profit board as Chair of the Beacon Foundation.

Nigel Ray PSM

Member

Term of appointment

1 June 2023 to 31 May 2028

Nigel has over 35 years' experience in public policy and economic analysis, and in addition to serving as a NHFIC Board member, is undertaking advisory work, including as Deputy Chair of the Australian Government's Aged Care Taskforce. He retired from the Australian Public Service in January 2023.

From November 2020 until November 2022, Nigel was an Executive Director of the World Bank Group, representing Australia and 14 other countries on the Bank's boards. He was Chair of the Board's Committee on Corporate Governance and Executive Directors' Administrative Matters. From November 2018 until November 2020, Nigel was an Executive Director of the International Monetary Fund, representing a constituency of 15 countries, including Australia.

Following a role at the Office of National Assessments, Nigel joined the Commonwealth Treasury in December 1988. From the mid-1990s, he held a range of senior executive positions, including as Deputy Secretary (Fiscal) from 2008 to 2015 and Deputy Secretary (Macroeconomic) from 2015 to 2018, when he also served as Australia's G20 Finance Deputy and was a member of the Australian Statistics Advisory Council.

In 2013, Nigel was awarded a Public Service Medal for outstanding public service. He holds Master of Economics and Bachelor of Law degrees from the University of Sydney.

14. Ms Dyson was appointed Acting Chair from 1 April 2023 to 4 June 2023. On 14 July 2023, Ms Dyson was re-appointed for a further three-month period from 26 July 2023 to 25 October 2023.

Kelvin Ryan

Member

Term of appointment
19 July 2021 to 18 July 2026

Kelvin was appointed to the NHFIC Board in July 2021 after performing senior roles in the construction industry since 1998. Initially he worked as a supplier with Boral Ltd and from 2003 onwards as the CEO of two of the largest residential building companies in Australia – BGC Residential and Simonds Group Limited.

Prior to moving into the construction industry, Kelvin held senior executive positions in the mining and manufacturing sector at Downer Ltd, Fletcher Challenge NZ, Aditya Birla Canada and WMC Resources.

Kelvin has a wealth of experience in delivering affordable housing solutions and associated financing options having presided over the financing and construction of tens of thousands of new homes and numerous residential construction projects.

He holds a Bachelor of Education from the Western Australian College of Advanced Education and a Master of Science degree from Griffith University.

Hon Richard Wynne

Member

Term of appointment
1 June 2023 to 31 May 2028

Richard spent over 12 years as the Victorian Minister for Planning and Housing. During this time, he initiated significant changes to Victoria's housing sector, including the Big Housing Build. Prior to his appointment as Minister for Planning and Housing, he held a number of ministerial portfolios including Local Government, Aboriginal Affairs and Multicultural Affairs.

During his time as a Member of the Victorian Parliament, Richard served as Parliamentary Secretary for Justice and Cabinet Secretary.

He is a former Lord Mayor of Melbourne and served as a Melbourne City Council member.

Richard started his career as a social worker at the Flemington Community Health Centre where he worked in the public housing towers for seven years. He retired from state politics in 2022 and was Victoria's longest serving Planning Minister.

Members whose term ended in 2022–23

The biographies below reflect while serving on the NHFIC Board.

Adrian Harrington

Chair

Term of appointment[15]

19 July 2021 to 31 March 2023

Adrian has more than 30 years of experience in the funds management and real estate industries.

Adrian is currently on the Board of Summer Housing and the former Chair of the Australian Housing and Urban Research Institute. Adrian was formerly Head of Funds Management at Folkestone and has held senior positions at Mirvac, James Fielding and Deutsche Asset Management.

Adrian holds a Bachelor of Science (Hons) from the University of New South Wales, and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia and is a Graduate of the Australian Institute of Company Directors. Adrian is a Fellow of the Financial Services Institute of Australasia.

Phillip Barresi

Member

Term of appointment[16]

10 April 2019 to 31 May 2023

Phillip brings extensive national and international board and committee experience. Phillip previously served on various boards and committees within the disability employment, aged care, at-risk youth and community banking sectors. Most recently, Phillip served as the Director for Australia, New Zealand, Korea and Egypt on the Board of the European Bank for Reconstruction and Development in London.

Phillip currently sits on the advisory committee for the Australia India Business Council, to advise on strategic matters relating to bilateral trade. Phillip is also a member of the Institute of Public Accountants' Nominations Committee having also served on its professional disciplinary tribunal.

Phillip has held former appointments as CEO for both a leading energy industry association, and an electricity generator industry group. Prior to this, Phillip served as a member of the Australian Parliament for nearly 12 years, from 1996 to 2007, including chairing a joint parliamentary committee with oversight of public accountants and audit.

15. Adrian Harrington's term as Chair of the Board ended on 31 March 2023. Carol Austin was appointed Chair of the Board on 5 June 2023.
16. Phillip Barresi resigned on 31 May 2023.

Board meetings

Table 22: Summary of Board member meeting attendance

Member	Board meetings		Audit and Risk Committee meetings		Bond Issue Due Diligence and Management Committee meetings		Research Board Reference Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Carol Austin (Chair)	1	1	-	-	-	-	-	-
Phillip Barresi	11	11	5	5	-	-	-	-
Tony De Domenico OAM	11	12	5	6	-	-	7	7
Teresa Dyson	12	12	5	5	1	1	-	-
Adrian Harrington (Chair)	9	9	-	-	3	3	-	-
Jane Hewitt	10	12	6	6	4	4	-	-
Nigel Ray PSM	1	1	-	-	-	-	-	-
Kelvin Ryan	11	12	-	-	-	-	7	7
Hon Richard Wynne	1	1	-	-	-	-	-	-

Members whose term ended in 2022–23

Adrian Harrington and Phillip Barresi resigned as Board members during 2022–23.

Members whose terms commenced in 2022–23

Board appointments included Nigel Ray and the Hon Richard Wynne as members. Carol Austin was appointed as Chair effective 5 June 2023.

Audit and Risk Committee appointments included Nigel Ray (effective 1 June 2023) as a member.

Transactions with Board members and related entities of Board members

Board members have made appropriate disclosures in respect of transactions that NHFIC has undertaken where they may have, or may be perceived to have, a material personal interest.

Declared conflicts and potential conflicts of interest

All Board members complete an annual declaration of personal interests to disclose any interests or other directorships held. NHFIC maintains a Register of Interests to manage any potential conflicts of interest.

Where a Board member has a declared actual, perceived or potential material personal interest in a matter, that Board member does not participate in any discussion or voting when the matter is being considered by the Board or relevant Board committee.

Our approach to risk management

Risk management

Risk management is a critical part of how NHFIC achieves its business goals. NHFIC has developed a risk management framework that defines its principles, culture, policies and processes for managing risk. The organisation systematically identifies and manages risk to increase the likelihood and consequence of positive events while mitigating negative events.

Risk culture

NHFIC's risk culture and principles guide everyday behaviour in the organisation. NHFIC strives to:

- maintain the highest professional and ethical standards focusing on embedding appropriate behaviours
- align employee remuneration and other benefits to encourage behaviour consistent with good governance and NHFIC's 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
- maintain compliance standards reflecting zero tolerance of regulatory and compliance breaches.

Oversight of risk management

NHFIC manages risks that emerge through its operations. The appropriate engagement with risk is guided by the NHFIC Act, Investment Mandate, PGPA Act and consistency 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 ensuring the effective oversight of NHFIC including defining the risk appetite and monitoring performance within this appetite. The Board is supported by the ARC in monitoring risk management processes and assisting in risk oversight. The Board has also established the BIDDMC and a Research Board Reference Committee to assist in oversight of operational risk matters.

In recognition of NHFIC's credit risk exposure, NHFIC has established a Credit Committee comprising independent members (non-Board) to assist with the oversight and management of credit risk including the creditworthiness of applicants, quality of security taken and impact of transactions on NHFIC's portfolio credit exposure and risk appetite. An Executive Risk and Compliance Committee comprising senior NHFIC employees reviews operational risk and compliance exposures and the risk information provided to the ARC.

NHFIC has continued to strengthen its risk management framework to reflect its commitment to continuous improvement across its governance activities. NHFIC's internal audit program conducted by McGrathNicol reviews all aspects of the risk management framework and reports to the ARC and Board. NHFIC also engages specialist risk management expertise to support the organisation's continued growth.

Risk Appetite Statement

NHFIC's Risk Appetite Statement both defines its risk tolerance and sets the boundaries for risks the Board is willing to accept to achieve NHFIC's objectives. The Risk Appetite Statement is supported by enterprise policies and procedures that regulate NHFIC business activities in line with the risk appetite.

Risk management framework

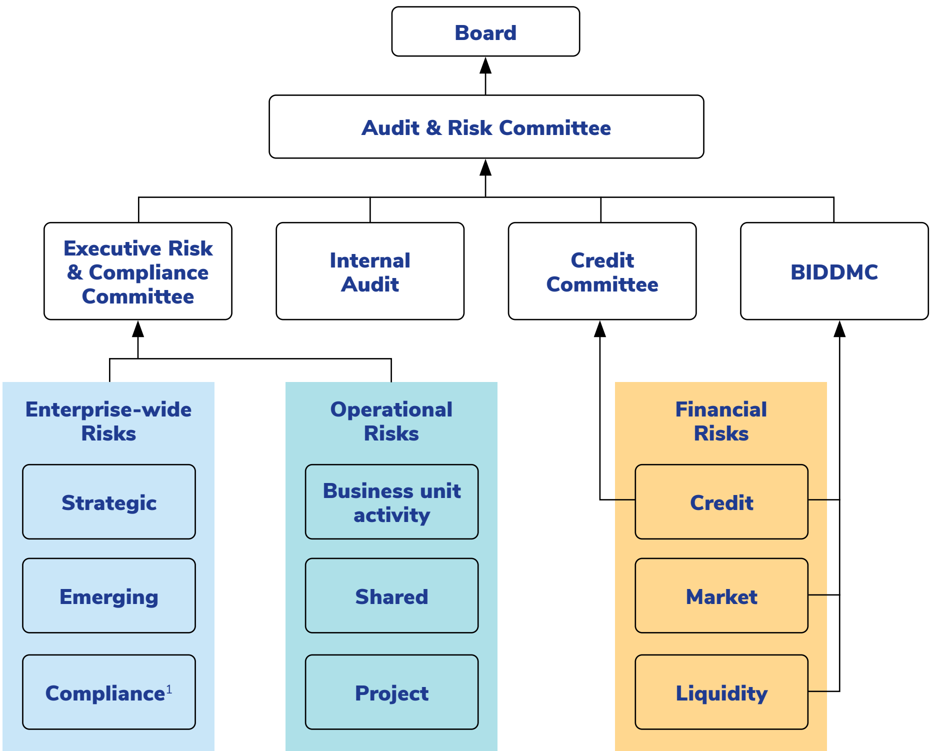
NHFIC's risk management framework aligns with the Commonwealth Risk Management Policy and ISO 31000. The framework recognises risks at an enterprise level and those risks facing each business activity. Business units are deeply involved in the recognition and management of risks associated with their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

NHFIC operates a 'three lines of defence' model for managing risk:

1. Business functions take responsibility for risks within their own operations.
2. Internal but independent risk and compliance functions review and improve NHFIC's risk management controls.
3. Audits and reviews by internal auditors and other specialists provide detailed reports on improving NHFIC's risk management approach and ensuring compliance with policies and procedures.

NHFIC provides appropriate, skilled risk management resources to support the development, implementation and maturity of the risk management framework.

Figure 10: NHFIC risk reporting framework



1. Legislative & Policy

Key business risks

The key risks potentially affecting delivery of NHFIC's statutory obligations, outcomes and/or the achievement of strategic priorities, are outlined in Table 22.

Table 23: NHFIC key business risks and risk management actions

Risk and impacts/consequences	Risk management responses and controls during 2022–23
Balance sheet exposures **On balance sheet:** NHFIC operates within a complex mix of financial arrangements (Commonwealth guarantee, liability cap and limited appropriation funding), issuing bonds, transacting interest rate derivatives 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.	• Closely monitored and reported NHFIC's financial arrangements to the ARC, BIDDMC and Board. • Continued ongoing reviews of external financial environment, CHP solvency and housing market developments. • Regularly reviewed and updated Board-approved policies including for expanding functions. • Held external reviews of lending arrangements, including quality of the security taken, through the Credit Committee. • Obtained external expert advice prior to implementation of increasingly sophisticated financing arrangements. • Regularly communicated with the Australian Government on liability cap and exposures.
Off balance sheet: Undrawn commitments to provide financial facilities under AHBA and NHIF arise when there is a contractual agreement. NHFIC manages the limits and future obligations for the outflow of resources. NHFIC manages the liability associated with the HGS. 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.	• Closely monitored contractual agreements within pipeline and liability cap. • Obtained an annual independent review of bank lending practices to ensure compliance with Scheme Rules. • Continued to liaise with banks to support lending practices that align with the policy objective of using the Commonwealth guarantee to support housing outcomes.
Financial sustainability 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.	• Conducted comprehensive long-term business planning and financial modelling activities, to stress test the portfolio and viability of the business model under different scenarios. • Monitored and reported on business outcomes and financial benchmarks to the Board. • Maintained a risk weighted balance sheet to assess capital adequacy and target capital ratios.
Macroeconomic environment The pace and unpredictability of economic change (interest rates, unemployment, liquidity, prices, rental markets, migration) and international events (war, geopolitical instability) overtakes – or is at odds with – government policy or the capacity of the market to respond to the change in stakeholder demand.	• Undertook close liaison with the Australian Government and state and territory governments and key stakeholders to understand and adjust to the impact of macroeconomic change. • Monitored data and analytics insights into underlying housing market conditions to focus NHFIC's activities. • Regularly stress tested the credit portfolio and HGS portfolio under different scenarios. • Expanded NHFIC's treasury function to provide more flexible financing solutions.

Risk and impacts/consequences	Risk management responses and controls during 2022–23
Relationship management 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.	• Maintained regular dialogue with stakeholders through meetings, workshops and industry events to understand stakeholder interests and adjust to the impact of macroeconomic change. • Research and policy insights into underlying housing market conditions provided the focus for NHFIC's activities. • Partnered with the private sector on innovation and collaboration opportunities to stimulate further support and/or investment in the CHP sector.
Resource constraints NHFIC may not be able to deliver functions and services within set timeframes due to insufficient employees or a shortage of skilled resources from increased competition for expertise NHFIC relies upon.	• Offered a mix of competitive remuneration and non-financial benefits to retain and attract the talent needed. • Focused on the promotion of a positive culture and a flexible work environment to motivate and develop employees. • Provided assistance with employee development through targeted training and upskilling.
Budget constraints NHFIC may not have sufficient appropriation or clarity from Government to deliver key functions and manage the associated risks.	• Provided timely and effective engagement with Treasury and the Department of Finance as part of the budget process and regular financial reporting to the ARC and Board.
Operational Eligibility criteria for particular policy initiatives may restrict NHFIC's capacity to address broad community housing needs due to unintended exclusion of groups in need of affordable housing. NHFIC finance may not complement, leverage or support other Commonwealth/state finance or activities. Countermeasures built into policy, program and system design to mitigate fraud risk are ineffective.	• Worked closely with government policymakers on policy design to improve housing outcomes including the inclusion of housing vulnerable groups. • Maintained capacity to respond to policy-driven business changes in an agile manner. • Sustained focus on the efficiency, effectiveness, design and implementation of operational processes by management, to achieve policy outcomes. • Worked with partners to mitigate the risk that government schemes could be inappropriately accessed by misleading or fraudulent behaviour.
Cyber risk and potential fraud Potential exposure to loss or harm stemming from cyber-attacks, data breaches, and the like on NHFIC's communications or information systems could result in damage and destruction of data or monetary loss, theft of intellectual property, failing to comply with legislative obligations, productivity losses, and reputational damage to NHFIC.	• Put in place a broad range of policies and tools to mitigate cyber risks and comply with the Government's Essential Eight cyber security strategies. • Implemented additional cyber security controls to enhance cyber security maturity level. • Engaged an external security provider who undertook an annual assessment of the strength of NHFIC's online environment. • Continued regular fraud and cyber security awareness training for all employees. • Management continued to scan the risk environment and strengthen controls where possible.

Financial information

Financial information

Five-year summary

The five-year summary profit and loss table presented below is in addition to (and does not form part of) the audited Financial Statements.

	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Profit and loss					
Effective interest income – AHBA	**58,992**	49,697	30,133	14,280	2,285
Interest expense – AHBA	**(45,309)**	(36,529)	(21,617)	(11,679)	(1,964)
Effective interest income – NHIF	**2,054**	1,446	131	-	-
Net interest income from loans	**15,737**	14,614	8,647	2,601	321
Interest on investments	**27,724**	3,402	3,227	6,869	2,924
Revenue from Government	**49,090**	39,939	59,004	61,762	53,714
Other income	**-**	-	-	30	-
Operating income	**92,551**	57,955	70,878	71,262	56,959
Employee benefits	**(17,498)**	(10,954)	(6,633)	(5,371)	(2,910)
Suppliers	**(13,431)**	(8,173)	(7,360)	(8,474)	(4,317)
Allowance for credit loss expense	**(166)**	(234)	(2,046)	(896)	(164)
Depreciation and amortisation	**(352)**	(352)	(352)	(175)	-
Operating expenses	**(31,447)**	(19,713)	(16,391)	(14,916)	(7,391)
Unwinding of concessional loan discount expenses	**21,441**	21,060	12,068	4,583	611
Concessional loan discount expense	**(29,924)**	(7,903)	(112,435)	(74,464)	(61,151)
Grants	**(7,727)**	(3,315)	(13,296)	(268)	-
Profit/(loss)	**44,894**	48,084	(59,176)	(13,803)	(10,972)
Adjustments:					
Add: Concessional loan discount expenses	**29,924**	7,903	112,435	74,464	61,151
Less: Unwinding of concessional loan discount	**(21,441)**	(21,060)	(12,068)	(4,583)	(611)
Less: Revenue from Australian Government for AHBA operational expenses	**-**	-	(18,672)	(18,820)	(18,714)
Less: Revenue from Australian Government related to NHIF grants	**(35,000)**	(35,000)	(35,000)	(35,000)	(35,000)
Add: Expenses related to NHIF grants	**7,508**	3,215	13,072	-	-
Add: Expenses related to capacity building programs	**219**	100	224	268	-
Normalised profit/(loss) from operations	**26,104**	3,242	815	2,526	(4,146)

Five-year summary (cont.)

The five-year summary balance sheet table presented below is in addition to (and does not form part of) the audited Financial Statements.

	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Balance sheet					
ASSETS					
Cash and cash equivalents	**291,442**	67,322	55,069	119,186	39,347
Trade and other receivables	**6,010**	3,085	2,356	2,383	1,279
Loans to Community Housing Providers	**2,241,019**	2,172,366	2,086,469	1,190,323	308,323
National Housing Infrastructure Facility loans	**87,084**	64,681	52,411	-	-
Concessional loan discount	**(204,764)**	(217,457)	(229,866)	(114,338)	(34,997)
Allowance for credit loss	**(3,506)**	(3,340)	(3,106)	(1,060)	(164)
Other investments	**693,840**	744,768	544,815	438,202	201,458
Property, plant and equipment	**17**	-	-	-	18
Intangible assets	**178**	530	882	1,234	-
Prepayments	**546**	227	146	339	78
Total assets	**3,111,866**	2,832,182	2,509,175	1,636,268	515,342
LIABILITIES					
Suppliers	**1,602**	2,645	1,550	3,472	2,027
Other payables	**9,866**	6,639	6,319	2,970	2,972
Other interest-bearing liabilities	**2,234,715**	2,189,859	2,080,818	1,305,349	329,878
Employee leave and other entitlements	**2,681**	1,645	1,101	1,045	413
Other provisions	**28,975**	7,261	8,338	18,207	26,024
Total liabilities	**2,277,839**	2,208,049	2,098,126	1,331,043	361,314
EQUITY					
Contributed equity	**825,000**	660,000	495,000	330,000	165,000
Retained earnings	**9,027**	(35,867)	(83,951)	(24,775)	(10,971)
Total equity	**834,027**	624,133	411,049	305,225	154,028

Reconciliation of reported profit to normalised earnings

The reconciliation of reported profit to normalised earnings from operations presented below is in addition to (and does not form part of) the audited Financial Statements.

	Note	2023 $'000	2022 $'000
INCOME			
Interest income calculated using the effective interest method	1.1A	**110,211**	75,605
Revenue from Government	1.1B	**49,090**	39,939
Total income		**159,301**	115,544
EXPENSES			
Employee benefits	1.2A	**17,498**	10,954
Suppliers	1.2B	**13,431**	8,173
Finance costs	1.2C	**45,309**	36,529
Concessional loan discount expense	1.2D	**29,924**	7,903
Allowance for credit loss expense	1.2E	**166**	234
Grants	1.2F	**7,727**	3,315
Depreciation and amortisation	2.2A	**352**	352
Total expenses		**114,407**	67,460
Profit from continuing operations		**44,894**	48,084
Other comprehensive income		**-**	-
Total comprehensive income		**44,894**	48,084
Adjustments:			
Add: Concessional loan discount expenses	1.2D,6.1	**29,924**	7,903
Less: Unwinding of concessional loan discount	1.1A	**(21,441)**	(21,060)
Less: Revenue from Government related to NHIF grants	1.1B,6.1	**(35,000)**	(35,000)
Add: Expenses related to NHIF grants	1.2F	**7,508**	3,215
Add: Expenses related to capacity building programs	1.2F	**219**	100
Normalised profit from operations		**26,104**	3,242

Independent Auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Minister for Housing

Opinion

In my opinion, the financial statements of the National Housing Finance and Investment Corporation (the Entity) for the year ended 30 June 2023:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2023 and for the year then ended:

- Statement by the Board Members, Chief Executive Officer and Chief Financial Officer;
- Statement of comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor’s responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Mark Vial
Executive Director

Delegate of the Auditor-General

Canberra

24 August 2023

Statement by Board Members, Chief Executive Officer, and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2023 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the National Housing Finance and Investment Corporation (NHFIC) will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board.

Carol Austin
CHAIR
24th August 2023

Nathan Dal Bon
CHIEF EXECUTIVE OFFICER
24th August 2023

Stuart Neilson
CHIEF FINANCIAL OFFICER
24th August 2023

Statement of comprehensive income

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
INCOME			
Interest income calculated using the effective interest method	1.1A	**110,211**	75,605
Revenue from Government	1.1B	**49,090**	39,939
Total income		**159,301**	115,544
EXPENSES			
Employee benefits	1.2A	**17,498**	10,954
Suppliers	1.2B	**13,431**	8,173
Finance costs	1.2C	**45,309**	36,529
Concessional loan discount expense	1.2D	**29,924**	7,903
Allowance for credit loss expense	1.2E	**166**	234
Grants	1.2F	**7,727**	3,315
Depreciation and amortisation	2.2A	**352**	352
Total expenses		**114,407**	67,460
Profit from continuing operations		**44,894**	48,084
Other comprehensive income		**-**	-
Total comprehensive income		**44,894**	48,084

The accompanying notes form an integral part of the financial statements.

Statement of financial position

as at 30 June 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**291,442**	67,322
Trade and other receivables	2.1B	**6,010**	3,085
Loans and advances	2.1C	**2,119,833**	2,016,250
Other investments	2.1D	**693,840**	744,768
Total financial assets		**3,111,125**	2,831,425
Non-financial assets			
Property, plant and equipment, and intangibles	2.2A	**195**	530
Prepayments		**546**	227
Total non-financial assets		**741**	757
Total assets		**3,111,866**	2,832,182
LIABILITIES			
Payables			
Suppliers	2.3A	**1,602**	2,645
Other payables	2.3B	**9,866**	6,639
Total payables		**11,468**	9,284
Interest bearing liabilities			
Other interest-bearing liabilities	3.2A	**2,234,715**	2,189,859
Total interest-bearing liabilities		**2,234,715**	2,189,859
Provisions			
Employee leave and other entitlements	4.1A	**2,681**	1,645
Other provisions	2.4A	**28,975**	7,261
Total provisions		**31,656**	8,906
Total liabilities		**2,277,839**	2,208,049
Net assets		**834,027**	624,133
EQUITY			
Contributed equity		**825,000**	660,000
Retained earnings		**9,027**	(35,867)
Total equity		**834,027**	624,133

The accompanying notes form an integral part of the financial statements.

Statement of changes in equity

for the year ended 30 June 2023

	Retained earnings $'000	Contributed equity $'000	Total equity $'000
Opening balance at 1 July 2022	**(35,867)**	**660,000**	**624,133**
Comprehensive income			
Profit for the period	**44,894**	**-**	**44,894**
Total comprehensive income	**44,894**	**-**	**44,894**
Transactions with owners			
Equity contribution	**-**	**165,000**	**165,000**
Total transactions with owners	**-**	**165,000**	**165,000**
Closing balance at 30 June 2023	**9,027**	**825,000**	**834,027**

The accompanying notes form an integral part of the financial statements.

In 2022–23 an additional and final payment of $165 million (bringing the total to $825 million) was provided by the Australian Government for National Housing Infrastructure Facility (NHIF) equity and loan arrangements, being recognised as equity contributed towards the NHIF Permanent Fund.

for the year ended 30 June 2022

	Retained earnings $'000	Contributed equity $'000	Total equity $'000
Opening balance at 1 July 2021	(83,951)	495,000	411,049
Comprehensive income			
Profit for the period	48,084	-	48,084
Total comprehensive income	48,084	-	48,084
Transactions with owners			
Equity contribution	-	165,000	165,000
Total transactions with owners	-	165,000	165,000
Transfers between equity components			
Closing balance as at 30 June 2022	(35,867)	660,000	624,133

Cash flow statement

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received			
Contributions from Government		**49,090**	39,939
Interest and loan fees		**57,140**	49,055
Total cash received		**106,230**	88,994
Cash used			
Increase in loans and advances		**86,952**	96,407
Interest paid on borrowings		**40,200**	36,266
Employees		**16,211**	10,283
Suppliers (inclusive of GST)		**13,946**	7,033
Grants paid		**7,727**	3,315
Total cash used		**165,036**	153,304
Net cash used by operating activities	3.4	**(58,806)**	(64,310)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received			
Interest on investments		**19,326**	2,285
Total cash received		**19,326**	2,285
Cash used			
Net purchases/(proceeds) of investments		**(56,988)**	199,648
Purchase of property, plant, equipment and intangibles		**17**	-
Total cash used		**(56,971)**	199,648
Net cash from/(used by) investing activities		**76,297**	(197,363)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowings		**41,629**	247,540
Equity contribution		**165,000**	165,000
Total cash received		**206,629**	412,540
Cash used			
Repayments of borrowings		**-**	138,614
Total cash used		**-**	138,614
Net cash from financing activities		**206,629**	273,926
Net increase in cash equivalents held		**224,120**	12,252
Cash equivalents at beginning of financial period		**67,322**	55,069
Cash equivalents at end of financial period	2.1A	**291,442**	67,322

The accompanying notes form an integral part of the financial statements.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Overview

The National Housing Finance and Investment Corporation (NHFIC) was established in June 2018 under the *National Housing Finance and Investment Corporation Act 2018* (Cth) (NHFIC Act). NHFIC is classified as a corporate Commonwealth entity and is an Australian Government owned for-profit entity. NHFIC's purpose is to, directly or indirectly, improve housing outcomes for Australians.

To achieve these outcomes, NHFIC is required to operate the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility (NHIF) and the Home Guarantee Schemes (HGS) comprising of the First Home Guarantee (FHBG), New Home Guarantee (NHG), Family Home Guarantee (FHG) and Regional First Home Buyer Guarantee (RFHBG). NHFIC also conducted research into housing affordability in Australia and undertakes capacity building activities for registered Community Housing Providers (CHPs).

- NHFIC operates the Affordable Housing Bond Aggregator (AHBA) to provide low cost and long-term finance for community housing providers to support the provision of more social and affordable housing. NHFIC funds AHBA loans by issuing its own bonds into the wholesale market at a lower cost and for a longer-term than traditional bank finance. In addition, the Australian Government has provided a $1 billion line of credit facility for the operation of the AHBA.
- NHFIC administers the $1 billion National Housing Infrastructure Facility (NHIF). The NHIF was originally set up to offer concessional loans, grants, and equity funding 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 remit of the NHIF was expanded in 2022–23 with up to $575 million of the existing funds made available to directly finance social or affordable housing projects.
- The Home Guarantee Scheme (FHBG, NHG, FHG and RFHBG) facilitates first home buyers and single parents to buy a home sooner.

  i. FHBG – supports first home buyers purchase a home with a deposit of as little as 5 per cent. 35,000 guarantees were available in 2022–23.

  ii. NHG – specifically established for first home buyers building a new home or purchasing a newly built home was only available in 2020–21 and 2021–22.

  iii. FHG – supports single parents with dependants purchase a family home with a deposit of as little as 2 per cent. 5,000 guarantees were available in 2022–23.

  iv. RFHBG – supports first home buyers in regional areas purchase a home with a deposit of as little as 5 per cent. 10,000 guarantees were available in 2022–23, noting the RFHBG was launched on 1 October 2022.

  Under section 48A of the NHFIC Act, NHFIC will be appropriated from the Consolidated Revenue Fund money for the purposes of any payment that NHFIC needs to make to meet these guarantee liabilities (see Note 5.2E Credit Risk).
- 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.
- 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.

During the year NHFIC also undertook some preparatory work to assist Government with decision-making on key housing initiatives. This preparatory work was consistent with the existing mandate and involved the increased use of consultants and contractors, including modelling on how to disburse Housing Australia Future Fund (HAFF) revenue to support the delivery of new social and affordable dwellings. Detailed implementation work on the HAFF however cannot be undertaken until legislative authority is received.

Notes to and forming part of the financial statements
for the year ended 30 June 2023

Overview (continued)

a Basis of preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR); and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are prepared in Australian dollars ($) and rounded to the nearest thousand dollars ($'000).

b New Australian Accounting Standards (AAS)

Consistent with government policy, no accounting standard has been adopted earlier than the application date as stated in the standard.

There were no new Australian accounting standards that were mandatorily effective for these financial statements. Amendments made to existing standards that were mandatorily effective for the reporting period did not result in a material impact.

c Taxation

Under section 52 of the NHFIC Act, NHFIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST):

- where the amount of GST incurred is not recoverable as an input tax credit from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- the net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of the receivables, payables, or commitments.

d Events after the reporting period

Effective 1 July 2023, the Government has expanded the Home Guarantee Scheme eligibly criteria to include permanent residents, non-first home buyers who haven't held a property in the last ten years, any two applicants broadly (i.e. friends, siblings, and other family members) and single legal guardians. The guarantees are accounted for consistent with the treatment of FHBG, NHG, FHG and RFHBG guarantees (see Note 5.2E Credit Risk).

Other than stated above there have been no material events occurring after the reporting period that impact these financial statements for the year ended 30 June 2023.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 1: Our financial performance

Note 1.1: Revenue

	2023	2022
	$'000	$'000
NOTE 1.1A: INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD		
Interest from loans and advances at amortised cost	**61,046**	51,143
Interest from cash and cash equivalents	**7,193**	207
Interest from other investments at amortised cost	**20,531**	3,195
Unwinding of concessional loan discount provisions	**21,441**	21,060
Total interest income calculated using effective interest method	**110,211**	75,605

Accounting policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to NHFIC, and the revenue can be reliably measured.

For loans and advances and other investments at amortised cost, the income or expense is recognised through the profit or loss using the effective interest method. Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

	2023	2022
	$'000	$'000
NOTE 1.1B: REVENUE FROM GOVERNMENT		
Revenue from Australian Government for NHFIC operational funding	**14,090**	4,939
Revenue from Australian Government for NHIF grants	**35,000**	35,000
Total revenue from Government	**49,090**	39,939

Revenue from the Australian Government for NHFIC operational funding includes appropriations for the administration of the HGS and Research function.

Revenue from the Australian Government for NHIF grants relates to appropriations made to NHFIC for the purposes of providing grants to improve, directly or indirectly, housing outcomes.

Accounting policy

Revenue from Government

Amounts provided by the Australian Government for NHFIC operating funds and NHIF grants are recognised as revenue from Government in the Statement of Comprehensive Income when NHFIC gains control of the appropriation.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 1.2: Expenses

	2023	2022
	$'000	$'000
NOTE 1.2A: EMPLOYEE BENEFITS		
Wages and salaries	**14,897**	9,282
Superannuation		
Defined contribution plans	**1,395**	841
Defined benefit plans	**244**	197
Leave and other entitlements	**961**	614
Other employee benefits	**1**	19
Total employee benefits	**17,498**	10,954

The increase in employee benefits reflect additional staff recruited to manage the growth in NHFIC's operations which included an increase in the liability cap, repurposing of the NHIF, and the additional guarantee scheme.

Accounting policy

Employee benefits

Accounting policies for employee related expenses is contained in the People and Relationships section (refer to Note 4).

	2023	2022
	$'000	$'000
NOTE 1.2B: SUPPLIER EXPENSES		
Goods and services supplied or rendered		
Consultants	**4,032**	1,280
Contractors	**3,298**	2,054
Information technology services	**2,158**	1,527
Services provided by Export Finance Australia	**1,156**	1,128
Legal fees	**509**	439
Insurances	**505**	432
Professional fees	**287**	252
Travel and incidentals	**250**	71
Credit information	**233**	51
Recruitment services	**222**	280
Marketing and media	**178**	132
Staff training and development	**173**	116
External auditor fees	**85**	101
Other	**345**	310
Total supplier expenses	**13,431**	8,173

Supplier expenses increased during the year in relation to NHFIC's current activities and additional preparatory work relating to administration of Government programs.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 1.2: Expenses (continued)

	2023	2022
	$'000	$'000
NOTE 1.2C: FINANCE COSTS		
Interest on loans	**1,094**	395
Interest on bonds	**44,215**	36,134
Total finance costs	**45,309**	36,529

	2023	2022
	$'000	$'000
NOTE 1.2D: CONCESSIONAL LOAN DISCOUNT EXPENSE		
Concessional loan discount expense	**29,924**	7,903
Total concessional loan discount expense	**29,924**	7,903

Accounting policy

Concessional loan discount expense

A concessional loan discount expense is recorded when NHFIC makes a loan at a discount to the prevailing market equivalent rates or terms. The concessional loan discount expense is an upfront non-cash concession charge and will unwind over the term of the underlying loan to become concessional loan interest income. As the concessional loan discount expense is a non-cash adjustment, it does not impact the underlying operational earning of NHFIC. Over the life of the loans, the cumulative impact of the reported profit or loss of NHFIC from the concessional loan discount and income will net to $nil. During the year, $21.4 million (2022: $21.1 million) of concessional loan discount expense was unwound.

The Investment Mandate which guides NHFIC's operations requires it to make loans to the CHP sector at the lowest possible interest rates, after making allowance for a margin that will cover NHFIC's operating costs and reserve requirements. The total financial impact of the differences between market interest rates and those charged by NHFIC, was $29.9 million (2022: $7.9 million) correlating to $291.6 million (2022: $101.6 million) of new loans advanced and loan commitments. These differences are recorded as a concessional loan discount expense and represents management's best estimate of the interest savings that will flow through to the CHP sector over the life of the loans.

Reference to the Statement of cash flows demonstrates that NHFIC should always have capacity to service AHBA interest commitments, as the concessional loan discount expense has no impact on cash flows. Furthermore, NHFIC's Statement of financial position discloses net assets of $834.0 million (2022: $624.1 million) and a high level of liquidity.

Accounting judgement and estimates

NHFIC is required to record a concessional loan discount expense when it makes a loan at a discount to the prevailing market equivalent rate or terms. This requires extensive judgement in determining the 'market equivalent rate' to ascertain the extent of the implicit discount attached to the loan. To estimate the market rate, NHFIC considers key loan terms including, the term (loan tenor and drawdown and repayment profile), base rate and type (fixed or floating), level of subordination, security position and other relevant factors so the extent of concessionality being offered in the transactions can be estimated.

NHFIC's aim is to provide AHBA loans to registered CHPs at the lowest cost and most appropriate tenor. To achieve this aim, the discounts provided to the market rates can result in significant concessional loan discount expense. The weighted average tenor of the loan portfolio is 11.0 years (2022: 11.3 years). Discounting the difference between the future cashflows at the loan rate and the market equivalent rate results in significant concessional loan charges.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 1.2: Expenses (continued)

	2023	2022
	$'000	$'000
NOTE 1.2E: ALLOWANCE FOR CREDIT LOSS EXPENSE		
Allowance for credit loss expense	**166**	234
Total allowance for credit loss expense	**166**	234

The allowance for credit loss expense recognised above relates to $91.1 million (2022: $98.2 million) of new loans advanced during the year.

Accounting policy

Allowance for credit loss expense

Accounting policies for allowance for credit loss expense is contained in the Loans and advances section (refer to Note 2.1C).

	2023	2022
	$'000	$'000
NOTE 1.2F: GRANTS		
NHIF grants	**7,508**	3,215
Capacity building activities	**219**	100
Total grants	**7,727**	**3,315**

NHIF grants are generally part of blended financing arrangements through the NHIF. Blended financing arrangements may comprise of a concessional loan and grant component, the loans are recorded as loans and advances and where there is no obligation to repay the grant, and the recipient meets certain criteria, the grants are recognised in profit or loss as an expense. The grants are funded through revenue from the Australian Government for NHIF grants (see Note 1.1B). Up to $175 million is available to fund the NHIF Grants (noting that any funding by NHFIC for capacity building contracts, up to a maximum of $1.5 million will reduce the funding available for NHIF grants).

The total value of NHIF grants disbursed at 30 June 2023 was $23.8 million (2022: $16.3 million).

Capacity building grants allows registered CHPs to access business advisory services and other assistance in capability building.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2: Financial position

Note 2.1: Financial assets

	2023 $'000	2022 $'000
NOTE 2.1A: CASH AND CASH EQUIVALENTS		
Cash at bank	**291,442**	67,322
Total cash and cash equivalents	**291,442**	67,322

Accounting policy

Cash and cash equivalents

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes cash at bank and deposits at call which are readily convertible to cash on hand.

	2023 $'000	2022 $'000
NOTE 2.1B: TRADE AND OTHER RECEIVABLES		
Goods and services receivables in connection with:		
Other receivables		
Statutory receivables	**425**	184
Interest	**5,570**	2,893
Other	**15**	8
Total trade and other receivables (gross)	**6,010**	3,085
Total trade and other receivables (net)	**6,010**	3,085
Trade and other receivables (net) expected to be recovered in:		
Overdue	**308**	-
No more than 12 months	**5,702**	3,085
Total trade and other receivables (net)	**6,010**	3,085

Credit terms for goods and services were within 30 days.

Interest receivable is due monthly, quarterly or upon maturity depending on the terms of the investment.

For overdue interest receivables, NHFIC has received all payments in July 2023 which were all within 30 days of their due date.

Accounting policy

Trade receivable and other receivables

Trade receivables and other receivables are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest. They are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.1: Financial assets (continued)

	2023	2022
	$'000	$'000
NOTE 2.1C: LOANS AND ADVANCES		
Loans to Community Housing Providers	**2,241,019**	2,172,366
National Housing Infrastructure Facility loans	**87,084**	64,681
Gross loans and advances	**2,328,103**	2,237,047
Concessional loan discount provisions	**(197,139)**	(210,370)
Unearned income and deferred net fee income	**(7,625)**	(7,087)
Less allowance for credit loss	**(3,506)**	(3,340)
Total loans and advances (net)	**2,119,833**	2,016,250
Maturity analysis loans and advances:		
No more than 12 months	**72,118**	35,811
Due in 1 year to 5 years	**54,106**	24,909
Due after 5 years	**2,201,879**	2,176,327
Total loans and advances	**2,328,103**	2,237,047

Accounting policy

Loans and advances

Loans are carried at amortised cost. The recoverable amount is represented by the gross value of the outstanding balances, adjusted by the allowance for credit loss, deferred net fee income, and any concessional loan discount expense. Deferred net fee income received in cash at the start of the loan are brought to income on an effective yield basis over the life of the loan by reducing the carrying amount. Interest income is recognised using the effective interest method. A loan or receivable is recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for the impairment.

Impairment

For loans measured at amortised cost under AASB 9 an expected credit losses (ECL) model was used to evaluate balances at 30 June 2023. The ECL allowance is based on twelve month expected credit losses unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the credit losses expected to arise over the life of the asset. An assessment is performed at the end of each reporting period to determine whether credit risk has increased significantly since initial recognition.

Based on the above, NHFIC groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

Stage 1: When loans are first recognised, NHFIC recognises an allowance based on twelve month expected credit losses data. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, NHFIC records an allowance for the lifetime expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired. NHFIC records an allowance for the lifetime expected credit losses.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.1: Financial assets (continued)

ECL calculation

The allowance in respect of an individual facility or group of facilities is calculated with the three elements defined as follows:

PD – the Probability of Default is an estimate of the likelihood of default over a given time horizon.

LGD – Loss Given Default is the percentage of exposure which, on average, will be lost (net of recoveries) if a default occurs.

EAD – Exposure At Default is the estimated outstanding exposure on that facility at a future default date.

The three elements and mechanics are further explained in Note 5.2E Credit Risk.

	2023	2022
	$'000	$'000
NOTE 2.1D: OTHER INVESTMENTS		
Deposits	**435,781**	540,472
Discount securities	**184,475**	119,075
Floating rate notes	**73,584**	85,221
Total other investments	**693,840**	744,768
Other investments expected to be recovered in:		
No more than 12 months	**643,273**	671,075
More than 12 months	**50,567**	73,693
Total other investments	**693,840**	744,768

NHFIC's investments are comprised of cash from retained earnings in the AHBA and the NHIF permanent fund and grants. Investment securities are primarily held with Australian ADIs rated AA- with a minor proportion rated A+. In accordance with the policy below it has been determined that no material ECL or impairment exists at 30 June 2023.

Accounting policy

Investment securities at amortised cost

Investments are held to collect the contractual cash flows which are 'solely payments of principal and interest on the principal amount outstanding'. NHFIC's business model is to hold these financial assets until maturity. They are short-term and medium-term bank debt securities and include bonds, term deposits, commercial paper and certificates of deposit. Interest income is recognised using the effective interest method and are carried at amortised cost.

Impairment

All investment securities have a deal term to maturity of less than three years and are held with primarily Australian ADIs rated AA- with a minor proportion rated A+. It has been determined that no impairment should be recognised on day one or in the subsequent twelve months

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.2: Property, plant and equipment, and intangibles

Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles for 2023

	Art and artefacts $'000	Computer software $'000	Total $'000
NOTE 2.2A: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLES			
Net book value at 1 July 2022	**-**	**530**	**530**
Additions	**17**	**-**	**17**
Depreciation/amortisation expense	**-**	**(352)**	**(352)**
Net book value at 30 June 2023	**17**	**178**	**195**
Net book value as of 30 June 2023 represented by:			
Gross book value	**17**	**530**	**547**
Accumulated depreciation and impairment	**-**	**(352)**	**(352)**
	17	**178**	**195**

Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles for 2022

	Art and artefacts $'000	Computer software $'000	Total $'000
Net book value at 1 July 2021	-	882	882
Depreciation/amortisation expense	-	(352)	(352)
Net book value at 30 June 2022	-	530	530
Net book value as of 30 June 2022 represented by:			
Gross book value	-	882	882
Accumulated depreciation and impairment	-	(352)	(352)
	-	530	530

No non-financial assets are expected to be sold or disposed of within the next 12 months. No revaluations were conducted in accordance with the revaluation policy.

There were no capital commitments relating to contractual payments for new assets and assets under construction.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.2: Property, plant and equipment, and intangibles (continued)

Accounting policy

Property, plant and equipment

Purchases of property, plant and equipment are recognised initially at cost in the Statement of financial position, except for:

- items of property with a project cost less than $15,000 (which are expensed in the year of acquisition): and
- items of plant and equipment costing less than $5,000 (which are expensed in the year of acquisition).

Property, plant and equipment are revalued periodically to fair value to ensure that the carrying amounts of assets do not differ materially from the assets, fair value at the reporting date.

The valuation of plant and equipment is based on an internal assessment by management to ensure that the carrying amounts do not differ materially from their fair value.

Revaluation increments are credited directly to the asset revaluation reserve and any subsequent decreases are written back against the asset revaluation reserve. On revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2023	2022
Plant and equipment	**3–20 years**	3–20 years
Art and artefacts	**100 years**	-

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

The profit or loss on disposal of property, plant and equipment is taken into account in determining the result for the year.

Intangibles – Computer software

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised and recognised as an intangible asset where the software is controlled by NHFIC, and where it is probable that the future economic benefits will flow from its use over more than one year. Costs associated with maintaining the software are recognised as an expense as incurred.

Computer software is stated at cost less amortisation and impairment losses, if any.

Capitalised software costs are amortised on a systematic basis, using the straight-line method over its useful life of 4 years.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.3: Payables

	2023	2022
	$'000	$'000
NOTE 2.3A: SUPPLIERS		
Suppliers	**1,602**	2,645
Total supplier payables	**1,602**	2,645

	2023	2022
	$'000	$'000
NOTE 2.3B: OTHER PAYABLES		
Interest payable	**7,727**	5,845
Other accrued expenses	**2,139**	794
Total other payables	**9,866**	6,639
Trade and other payables expected to be settled in:		
No more than 12 months	**11,468**	9,284
Total trade and other payables	**11,468**	9,284

Accounting policy

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Credit terms for goods and services is usually within 30 days.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.4: Provisions

	2023	2022
	$'000	$'000
NOTE 2.4A: OTHER PROVISIONS		
Irrevocable undrawn commitments	**28,975**	7,261
Financial guarantees	**-**	-
Total other provisions	**28,975**	7,261

Irrevocable undrawn commitments are NHFIC's commitments to provide loans at a below-market interest rates. The increase during the year is attributable to an increase in both the number and value of new commitments.

Financial guarantees relate to guarantees provided to participating lenders in relation to the Home Guarantee Scheme.

	2023	
	Financial guarantees $'000	Irrevocable undrawn commitments $'000
The movement in provisions is as follows:		
As at 1 July 2022	**-**	**7,261**
Additional provisions made	**-**	**25,438**
Amounts reversed	**-**	**(3,724)**
Total at 30 June 2023	**-**	**28,975**

	2022	
	Financial guarantees $'000	Irrevocable undrawn commitments $'000
The movement in provisions is as follows:		
As at 1 July 2021	-	8,338
Additional provisions made	-	3,463
Amounts reversed	-	(4,540)
Total at 30 June 2022	-	7,261

Accounting judgement and estimates

The commitment to provide a loan at a below-market interest rate is recognised as a liability measured at the higher of the fair value of the financial liability and the provision for expected credit losses. The provision recorded is the amount which represents its estimated fair value when funds are issued, discounted back to the date of contractual commitment. NHFIC estimates these by applying valuation techniques to derive forward rates from the relevant yields of Australian Government securities and market swap rates and applying them to its estimated drawdown profiles of the loan commitment.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 2.4: Provisions (continued)

NHFIC launched the First Home Guarantee (FHBG, previously known as the First Home Loan Deposit Scheme (FHLDS)) on 1 January 2020. The New Home Guarantee (NHG) was launched in November 2020, followed by the Family Home Guarantee (FHG) in July 2021 and the Regional First Home Buyer Guarantee (RFHBG) in October 2022. Prior to the launch of the FHBG, a standing appropriation was established to allow NHFIC to draw from the Consolidated Revenue Fund to meet its guarantee liabilities and a contractual funding arrangement was agreed with the Department of the Treasury (the Treasury). Any loan default amounts covered by the terms of the guarantee will be funded by the Treasury and passed on by NHFIC to the underlying lender. This arrangement is enabled by the National Housing Finance and Investment Corporation Act S.48A(1). NHFIC considers the legislation as integral to the contractual terms of the financial guarantees issued.

For the 2022–23 period, NHFIC made 35,000 places for the FHBG and 5,000 places for the FHG available in July 2022, and 10,000 places for the RFHBG available in October 2022. No new NHG places were made available in 2022–23, although previously issued guarantees continued to be managed by NHFIC.

At 30 June 2023, 46,298 guarantee certificates are active under the FHBG, 8,489 guarantee certificates are active under the NHG, 4,194 guarantee certificates are active under the FHG and 5,015 guarantee certificates are active under the RFHBG. An ECL model was used to measure the expected cash shortfalls, and as the liabilities are met by funding from the Treasury, NHFIC does not expect to incur any cash shortfalls and recognises a $nil ECL provision (2022: $nil). Additional information regarding maximum exposure to credit risk excluding credit enhancements of the guarantees is detailed in Note 5.2E.

Accounting policy

Other provisions

Provisions are recognised when NHFIC has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as an expense.

Provision for irrevocable undrawn loan commitments

NHFIC calculates a concessional loan discount expense for the undrawn component of loans that are not yet fully drawn and where future drawdowns are unconditional.

Provision for financial guarantees

NHFIC estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. Cash flows expected from credit enhancements which are not required to be recognised separately and which are considered integral to the contractual terms of the financial guarantees subject to ECL, are included in the measurement of the ECL.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 3: Our funds management

Note 3.1: Contributions from government

The Australian Government provides annual operating funding to NHFIC through the Department of the Treasury for the administration of the Home Guarantee Scheme and Research functions. The Australian Government has also provided $1 billion for the operation of the NHIF with the final $200 million annual appropriation received in 2022–23. A NHIF Permanent Fund has been established with the value maintained by including:

- the value of the current NHIF loans and investments and their relevant returns;
- undrawn amounts allocated to the NHFIC for the purpose of making infrastructure loans and investments through the NHIF; and
- the operating costs of the NHIF.

NHFIC annual appropriations:

	2023	2022
	$'000	$'000
Appropriations provided to Department of Treasury for the purpose of funding NHFIC operations and the NHIF	**214,090**	204,939
Funds drawn down during the financial period:		
Operational funding	**14,090**	4,939
NHIF grants	**35,000**	35,000
Equity contributed towards the NHIF permanent fund	**165,000**	165,000

In addition, the Department of the Treasury also maintains the NHFIC Special Account established in accordance with section 47A of the NHFIC Act. The purpose of the Special Account allows the Treasury to provide NHFIC with access to loan funding of up to $1 billion for the operation of the AHBA. Any principal repayment to the Commonwealth through this Account, may be "recycled" and the amount reborrowed.

NHFIC Special Account:

	2023	2022
	$'000	$'000
Balance brought forward from previous period	**965,521**	747,269
Appropriations credited during the year to the NHFIC Special Account maintained by the Department of the Treasury	**-**	165,000
Available for payments	**965,521**	912,269
Net funds drawn down/(repaid) during the year as a loan to NHFIC to meet the purpose of its functions or as directed by the responsible Minister and the Finance Minister in accordance with the Investment Mandate.	**41,629**	(53,252)
Total balance carried to the next period	**923,892**	965,521

Accounting policy

Revenue from Government

Amounts provided by the Australian Government for the NHFIC operating funds and NHIF grants are recognised as Revenue from Government in the Statement of Comprehensive Income when NHFIC gains control of the contribution.

Equity contributions

Amounts provided by the Australian Government for NHIF equity and loan arrangements are recognised as an equity contribution in the Statement of Financial Position.

Drawing from the NHFIC Special Account

Amounts received from the Australian Government as drawings from the NHFIC Special Account will be recognised as a loan from the Australian Government. Repayment of loans will be credited to the NHFIC Special Account.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 3.2: Interest-bearing liabilities

	2023	2022
	$'000	$'000
NOTE 3.2A: OTHER INTEREST-BEARING LIABILITIES		
Loans from the Australian Government	**76,108**	34,479
Fixed rate bonds	**2,058,607**	2,055,380
Floating rate notes	**100,000**	100,000
Total other interest-bearing liabilities	**2,234,715**	2,189,859
Other interest-bearing liabilities expected to be settled in:		
No more than 12 months	**66,079**	-
More than 12 months	**2,168,636**	2,189,859
Total other interest-bearing liabilities	**2,234,715**	2,189,859

Accounting policy

The loans from the Australian Government represents amounts received as drawings from the NHFIC Special Account and is measured at amortised cost. Details regarding the special account is contained in the Our Funds Management section (refer to Note 3.1).

Fixed rate bonds and floating rate notes are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 3.3: Reconciliation of liabilities arising from financing activities

	At 1 July 2022 $'000	Cash proceeds $'000	Cash repayments $'000	Net proceeds/ (repayments) $'000	Non-cash changes $'000	At 30 June 2023 $'000
Other interest-bearing liabilities						
Loans from the Australian Government	**34,479**	**41,629**	**-**	**41,629**	**-**	**76,108**
Fixed rate bonds	**2,055,380**	**-**	**-**	**-**	**3,227**	**2,058,607**
Floating rate notes	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Total liabilities from financing activities	**2,189,859**	**41,629**	**-**	**41,629**	**3,227**	**2,234,715**

	At 1 July 2021 $'000	Cash proceeds $'000	Cash repayments $'000	Net proceeds/ (repayments) $'000	Non-cash changes $'000	At 30 June 2022 $'000
Other interest-bearing liabilities						
Loans from the Australian Government	87,731	85,362	(138,614)	(53,252)	-	34,479
Fixed rate bonds	1,893,087	162,178	-	162,178	116	2,055,380
Floating rate notes	100,000	-	-	-	-	100,000
Total liabilities from financing activities	2,080,818	247,540	(138,614)	108,926	116	2,189,859

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 3.4: Cash flow reconciliation

	2023	2022
	$'000	$'000
RECONCILIATION OF CASH AND CASH EQUIVALENTS AS PER STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT		
Cash and cash equivalents as per		
Cash Flow Statement	**291,442**	67,322
Statement of Financial Position	**291,442**	67,322
Discrepancy	**-**	-
Reconciliation of operating profit to net cash used by operating activities		
Profit from continuing operations	**44,894**	48,084
Adjustments for non-cash items		
Concessional loan discount expense	**29,924**	7,903
Depreciation and amortisation	**352**	352
Amortisation of concessional loan discount expenses	**(21,441)**	(21,060)
Allowance for credit risk	**166**	234
Amortisation of borrowing discount and transaction costs	**3,230**	381
Amortisation of unearned income and deferred net fee income	**(814)**	(859)
Capitalised loan interest and fees	**(4,103)**	(1,901)
Reclassification on cash items		
Decrease in other non-operating cash flow revenue items	**(23,500)**	(2,516)
Net disbursement of loan balances	**(86,952)**	(96,407)
Movement in assets and liabilities		
Assets		
(Increase)/decrease in net receivables	**(2,925)**	(729)
increase/(decrease) in unearned income and deferred net fee income	**(538)**	330
(Increase)/decrease in prepayments	**(319)**	(81)
Liabilities		
Increase/(decrease) in employee provisions	**1,036**	544
Increase/(decrease) in supplier payables	**(1,043)**	1,095
Increase/(decrease) in other payables	**3,227**	320
Net cash used by operating activities	**(58,806)**	(64,310)

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 4: People and relationships

Note 4.1: Employee benefits

	2023	2022
	$'000	$'000
NOTE 4.1A: EMPLOYEE LEAVE AND OTHER ENTITLEMENTS		
Short term employee benefits		
Recreation leave	**1,441**	907
Long service leave	**1,240**	738
Total employee provisions	**2,681**	1,645
Employee provisions expected to be settled in:		
No more than 12 months	**1,507**	907
More than 12 months	**1,174**	738
Total employee provisions	**2,681**	1,645

Accounting policy

Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the applicable employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. Long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date and discounted using appropriate market yields at reporting date. The estimate of the present value of the liability considers attrition rates and pay increases through promotion and inflation.

Superannuation

The majority of NHFIC staff are members of superannuation funds held outside the Australian Government. NHFIC makes employer contributions to these funds as per the superannuation guarantee contribution rate.

Some NHFIC staff are members of the Public Sector Superannuation Scheme (PSS) which is a defined benefits scheme for the Australian Government. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

NHFIC makes employer contributions to the relevant employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised at 30 June 2023 represents outstanding contributions.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 4.2: Related party disclosures

Total remuneration received and receivable by key management personnel for the year (includes Directors). Remuneration includes all cash remuneration, superannuation, and any non-cash benefits (including applicable fringe benefits tax).

	2023	2022
	$	$
Key management remuneration expenses for the reporting period		
Short-term employee benefits	**1,392,583**	1,347,502
Post-employment benefits	**140,427**	144,888
Other long-term employee benefits	**22,743**	21,036
Total remuneration	**1,555,753**	1,513,426
Total key management personnel remuneration expenses	**1,555,753**	1,513,426
Total number of key management personnel that are included in the above table are:	**11**	8

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The number of key management personnel at 30 June 2023 was nine (9) (2022: eight (8)) comprising the Chief Executive Officer, the Chief Financial Officer and Chief Operating Officer and 7 Directors. During the year two Directors departed and there were three new Director appointments.

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by NHFIC.

The Board and CEO remuneration and other benefits are set by the Remuneration Tribunal. The Board members and CEO are not paid performance awards.

Note 4.3: Related party relationships

NHFIC is an Australian Government controlled entity. Related parties to the entity are the key management personnel as defined above and other Australian Government entities.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Significant transactions with related parties can include provision of corporate and administration services to NHFIC, the provision of insurance, and the purchases of goods and services.

Where a NHFIC Board member has an actual, apparent or potential conflict of interest in relation to a potential decision, that member does not receive papers or participate in discussions on that transaction. A conflicts of interest register is maintained to record Board members' disclosed interests. Minutes from Board meetings record recusals as and when they occur.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no material related party transactions to be separately disclosed.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5: Managing uncertainties

Note 5.1: Contingencies and commitments

	2023	2022
	$'000	$'000
Commitments to provide financial facilities		
AHBA loans	**424,572**	194,630
NHIF loan, equity, and grant arrangements	**229,664**	144,516
Total commitments to provide financial facilities	**654,236**	339,146

Accounting policy

Contingencies and commitments – assets and liabilities

Where, as a result of past events, there is a possible asset or liability whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHFIC this will be disclosed as a contingent asset or contingent liability. When the inflow of economic benefits is probable, but not virtually certain, NHFIC will recognise the contingent asset. When the outflow of economic benefits is probable, NHFIC will recognise the contingent liability.

Commitments to provide financial facilities are contractually based. NHFIC has committed to lend a fixed amount for loans and any undrawn amounts under these facilities are shown as commitments.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments

Accounting policy

Financial assets

Financial assets are recognised when NHFIC becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash, and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date. The classification depends on both NHFIC's business model for managing the financial assets and the contractual cash flow characteristics at the time of initial recognition.

Consistent with AASB 9 Financial Instruments, NHFIC classifies its financial assets in the following categories:

a. *Financial assets at amortised cost*

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount. Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

b. *Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)*

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test. Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

c. *Financial assets at Fair Value Through Profit or Loss (FVTPL)*

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial assets

AASB 9 prescribes different approaches in applying the impairment model depending on the type of asset or exposure.

The general approach is used for financial assets assessed for impairment at the end of each reporting period based on expected credit losses. This approach measures the loss allowance based on an amount equal to 12-month expected credit losses, or an amount equal to lifetime expected credit losses where risk has significantly increased since inception.

The simplified approach is used for trade and contract receivables assessed for impairment. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Consistent with AASB 9 Financial Instruments, NHFIC classifies its financial liabilities in the following categories:

a. *Financial Liabilities at Fair Value Through Profit or Loss*

Financial liabilities at FVTPL are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

b. *Financial Liabilities at Amortised Cost*

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

NOTE 5.2A: CATEGORIES OF FINANCIAL INSTRUMENTS

	2023	2022
	$'000	$'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**291,442**	67,322
Trade and other receivables	**6,010**	3,085
Loans and advances	**2,119,833**	2,016,250
Other investments	**693,840**	744,768
Total	**3,111,125**	2,831,425
Total financial assets	**3,111,125**	2,831,425
Financial liabilities		
Financial liabilities at amortised cost		
Supplier payables	**1,602**	2,645
Other payables	**9,866**	6,639
Loans from the Australian Government	**76,108**	34,479
Fixed rate bonds	**2,058,607**	2,055,380
Floating rate notes	**100,000**	100,000
Total	**2,246,183**	2,199,143
Total financial liabilities	**2,246,183**	2,199,143

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2B: NET GAINS OR LOSSES ON FINANCIAL ASSETS

	2023 $'000	2022 $'000
Financial assets at amortised cost		
Interest revenue	**88,770**	54,545
Allowance for credit loss expense	**(166)**	(234)
Net gains/(loss) on financial assets at amortised cost	**88,604**	54,311
Net gains/(loss) on financial assets	**88,604**	54,311

NOTE 5.C: NET GAINS OR LOSSES ON FINANCIAL LIABILITIES

	2023 $'000	2022 $'000
Financial liabilities at amortised cost		
Interest expense	**45,309**	36,529
Net gains/(loss) on financial liabilities at amortised cost	**45,309**	36,529
Net gains/(loss) on financial liabilities	**45,309**	36,529

NOTE 5.2D: FAIR VALUE OF FINANCIAL INSTRUMENTS

	Carrying amount 2023 $'000	Fair value 2023 $'000	Carrying amount 2022 $'000	Fair value 2022 $'000
Financial assets at amortised cost				
Cash and cash equivalents	**291,442**	**291,442**	67,322	67,322
Trade and other receivables	**6,010**	**6,010**	3,085	3,085
Loans and advances	**2,119,833**	**2,052,817**	2,016,250	2,121,968
Other investments	**693,840**	**698,050**	744,768	744,711
Total financial assets	**3,111,125**	**3,048,319**	2,831,425	2,937,086
Financial liabilities at amortised cost				
Other payables	**9,866**	**9,866**	6,639	6,639
Loans from the Australian Government	**76,108**	**74,359**	34,479	33,150
Fixed rate bonds	**2,058,607**	**1,687,152**	2,055,380	1,722,972
Floating rate notes	**100,000**	**100,675**	100,000	101,469
Total financial liabilities	**2,244,581**	**1,872,052**	2,196,498	1,864,230

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK

Credit risk arises from the possibility of defaults by counterparties on contractual obligations, resulting in financial loss.

Exposures to credit risk for NHFIC are as follows:

	Note	2023 $'000	2022 $'000
Credit risk exposures			
Cash and cash equivalents	2.1A	**291,442**	67,322
Trade and other receivables	2.1B	**5,570**	2,893
Gross loans and advances	2.1C	**2,328,103**	2,237,047
Other investments	2.1D	**693,840**	744,768
Total*		**3,318,955**	3,052,030
Committed credit facilities	5.1	**654,236**	339,146
Total		**654,236**	339,146
Total credit risk exposure		**3,973,191**	3,391,176

* Other receivables, Property, plant and equipment, and intangibles, loans from the Australian Government have not been included in the above table as there is no significant associated credit risk.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

	2023		
	Not past due nor impaired	Past due or impaired	Total
	$'000	$'000	$'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	**291,442**	**-**	**291,442**
Trade and other receivables	**5,262**	**308**	**5,570**
Gross loans and advances	**2,328,103**	**-**	**2,328,103**
Other investments	**693,840**	**-**	**693,840**
Total financial assets	**3,318,647**	**308**	**3,318,955**
Committed credit facilities	**654,236**	**-**	**654,236**
Total credit risk exposure	**3,972,883**	**308**	**3,973,191**

For overdue interest receivables, NHFIC has received all payments in July 2023 which were all within 30 days of their due date.

	2022		
	Not past due nor impaired	Past due or impaired	Total
	$'000	$'000	$'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	67,322	-	67,322
Trade and other receivables	2,893	-	2,893
Gross loans and advances	2,237,047	-	2,237,047
Other investments	744,768	-	744,768
Total financial assets	3,052,030	-	3,052,030
Committed credit facilities	339,146	-	339,146
Total credit risk exposure	3,391,176	-	3,391,176

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Exposure to customers

NHFIC's principal exposure to credit risk arises from the financing and credit facilities extended to customers.

NHFIC evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on Management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- a general security deed over all assets and undertakings of the counterparty.
- first registered mortgages over the collateral property securities.
- specific charges over defined assets of the counterparty.
- ancillary deeds where applicable.
- facility and common terms agreements which include affirmative and negative covenants and, in some instances, guarantees of counterparty obligations.

To support the portfolio of loan exposure, NHFIC holds collateral security taken at financial settlement of the relevant facilities in accordance with its credit policy.

	2023 $'000	2022 $'000
Assets held as collateral		
Fair value of assets held as collateral		
Non-financial assets pledged as collateral	**5,060,416**	4,747,414
Total assets held as collateral	**5,060,416**	4,747,414

The fair value movement during the year is attributable to a combination of new collateral or security being pledged to NHFIC on new facilities extended, as well as movements in the fair value of existing portfolio of security held upon revaluation during the current year.

NHFIC uses nine broad categories of risk grade, with category 1 representing the lowest risk. Within categories 1 to 6 an outlook modifier of plus or minus is used if the counterparty is particularly strong or weak for that risk grade. The equivalent risk, based on Standards and Poor's risk rating, is stated in brackets.

The gross exposures of the loan portfolio under each category are as follows:

	2023		2022	
Gross loans and advances	Loan value $'000	%	Loan value $'000	%
Risk category 1 (AA- to AAA)	**35,958**	**1%**	23,366	1%
Risk category 2 (A- to A+)	**863**	**-**	-	-
Risk category 3 (BBB- to BBB+)	**881,219**	**38%**	835,374	37%
Risk category 4 (BB- to BB+)	**1,410,063**	**61%**	1,378,307	62%
Total gross loans and advances	**2,328,103**	**100%**	2,237,047	100%

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Accounting judgements and estimates

Impairment assessment

Probability of Default (PD) estimation uses the bond default statistics which are the average of the default rates on rated corporate bonds from Moody's and Standard & Poor's. These statistics give the probability of default for each risk grade over annual periods out to 15–20 years. In applying these default statistics, the risk grades and tenors of Moody's and Standard & Poor's data are aligned to NHFIC's own internal risk grades and tenors. PDs are adjusted up by a risk overlay which is consistent with the market range.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that NHFIC would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. NHFIC currently uses a portfolio LGD rate which is based on key characteristics that are relevant to the estimation of future cash flows (e.g., collateral type and LVR ratios).

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The ECL at 30 June 2023 is calculated as PD x LGD x EAD for each transaction in the portfolio. Management use judgements and make assumptions based on a variety of internal and external information. Based on these judgements, NHFIC's assessment has determined that there has been no significant increase in credit risk at this time for any transaction in the portfolio.

In the current environment of increasing interest rates and construction industry concerns, NHFIC continues to actively monitor the loan portfolio. This is achieved through periodic reporting from CHPs in the form of compliance certificates, financial and non-financial undertakings and completion of annual reviews. Construction facilities are monitored via independent Quantity Surveyor reports, generally monthly. As such, NHFIC is appropriately positioned to understand any early warnings of distress their clients may be experiencing. Given the current environment of increased interest rates, NHFIC also conducts sensitivity analysis in the client's annual reviews to ensure CHPs are able to meet their financial obligations.

With the above monitoring controls in place, NHFIC believe the CHP client base is well-placed to continue navigating through the challenging environment of construction risks and rising interest rates.

Accordingly, for ECL calculation purposes, the NHFIC loan portfolio remains in Stage 1.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Allowance for credit risk on the above gross exposures of loans and advances is as follows:

	2023 $'000	2022 $'000
Allowance for credit loss by type:		
Allowance for credit loss on loans and advances	**(3,506)**	(3,340)
Total at 30 June 2023	**(3,506)**	(3,340)

	2023 $'000	2022 $'000
Reconciliation of the allowance for credit loss:		
Allowance for credit risk opening balance:	**(3,340)**	(3,106)
New exposures	**(194)**	(354)
Change in risk grade	**1**	-
Change in probability of default rates	**27**	120
Allowance for credit risk closing balance:	**(3,506)**	(3,340)

	2023					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000
Allowance for credit loss by stage						
Loans and advances	**2,328,103**	**(3,506)**	-	-	-	-
Total	**2,328,103**	**(3,506)**	-	-	-	-

	2022					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000
Allowance for credit loss by stage						
Loans and advances	2,237,047	(3,340)	-	-	-	-
Total	2,237,047	(3,340)	-	-	-	-

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

As part of its normal operations, NHFIC enters into a variety of transactions that give rise to commitments, including loans and NHIF loan, equity, and grant arrangements. The maximum exposure to credit risk is the full amount of the commitment.

	2023		2022	
Commitments	Facility Value $'000	%	Facility Value $'000	%
Risk category 1 (AA- to AAA)	**199,756**	**31%**	123,198	36%
Risk category 2 (A- to A+)	**7,676**	**1%**	-	-
Risk category 3 (BBB- to BBB+)	**349,508**	**53%**	117,198	35%
Risk category 4 (BB- to BB+)	**97,296**	**15%**	98,750	29%
Total commitments	**654,236**	**100%**	339,146	100%

Exposure to guarantee schemes

NHFIC launched the First Home Buyer Guarantee (FHBG, previously known as the First Home Loan Deposit Scheme (FHLDS)) on 1 January 2020 with a limit of 10,000 guarantees available to be offered to eligible lenders for eligible loans in each financial year. Since then, three new guarantee types have been launched increasing the number of guarantees available under the Home Guarantee Scheme (HGS). The New Home Guarantee (NHG) was launched in November 2020 with 10,000 guarantees available in each of FY2020–21 and FY2021–22. The Family Home Guarantee (FHG) was launched in July 2021 with 10,000 guarantees available from 1 July 2021 to 30 June 2025. From 1 July 2022, the number of FHG guarantees available was changed to 5,000 in each of FY2022–23, FY2023–24 and FY2024–25. The Regional First Home Buyer Guarantee (RFHBG) was launched in October 2022 with 10,000 guarantees available in each of FY2022–23, FY2023–24 and FY2024–25.

At the Portfolio Minister's direction, NHFIC may rollover unutilised guarantees to the following financial year. In November 2022, NHFIC rolled over 1,113 unused FHBG places from FY2021–22 to FY2022–23.

Under s 48A(1) of the NHFIC Act, a standing appropriation was established as the funding mechanism and will provide NHFIC with funds to meet guarantee liabilities once a claim is made. A guarantee issued by NHFIC will only cover a payment where there is a balance owing on the guaranteed loan following the application of the proceeds of sale by the lender that was as a consequence of the default by the borrower under the terms of the loan contract. Once a verified claim has been submitted to NHFIC, NHFIC will request funding from the Treasury to settle the claims. NHFIC considers the legislation integral to the contractual terms of the guarantees that it issues.

At 30 June 2023, there were 46,298 active guarantee certificates under the FHBG, 8,489 active guarantee certificates under the NHG, 4,194 active guarantee certificates under the FHG and 5,015 active guarantee certificates under the RFHBG. Active guarantee certificates are guarantees for those loans which have settled or are pending settlement, and where the guarantee has not been released.

A legal liability is created once the application reaches pending settlement stage with the guaranteed maximum liability of each guarantee calculated at up to 15% (FHBG, NHG and RFHBG) or up to 18% (FHG) of the value of the property and in accordance with s 29H(2) of *National Housing Finance and Investment Corporation Investment Mandate Direction 2018.*

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Credit risk arising from NHFIC administration of the HGS guarantees issued is limited to the guaranteed maximum liability of each individual guarantee. For the exposures to credit risk, NHFIC measures an ECL.

The table below shows maximum credit risk exposures for all Guarantees when excluding cashflows from the Department of the Treasury:

	2023 $'000	2022 $'000
Maximum exposure to credit risk (excluding any collateral or credit enhancement)		
Financial assets carried at amount not best representing maximum exposure to credit risk		
Guarantees for FHBG	**2,929,238**	1,856,022
Guarantees for NHG	**573,659**	639,811
Guarantees for FHG	**280,805**	174,251
Guarantees for RFHBG	**297,402**	-
Total financial assets carried at amount not best representing maximum exposure to credit risk	**4,081,104**	2,670,084

As the funding from the Department of the Treasury will meet NHFIC's guarantee liabilities and when NHFIC includes this cashflow into its expected credit losses calculations, NHFIC does not expect to incur any losses in respect to payment of guarantee claims. NHFIC's measurement for ECL is $nil and to date, NHFIC has not incurred any losses.

Exposure to treasury counterparties

The PGPA Act limits investment by NHFIC of surplus monies to:

i. money with to Authorised Deposit-taking Institutions (ADIs) in Australia rated A- or above;
ii. securities issued by or guaranteed by the Commonwealth, a state or territory;
iii. money with other entities with credit ratings the equivalent of AA- or better;
iv. deposits with, or securities issued by, the above ADIs.

Credit risk arising from NHFIC through its investment portfolios is primarily limited to ADIs rated AA- with a minor proportion rated A+.

The table below show investment credit risk exposures by the current counterparty rating:

	2023		2022	
Other investments	Investment Value $'000	%	Investment Value $'000	%
Australian Authorised Deposit-taking Institutions				
AA+ to AA-	**680,271**	**98%**	731,158	98%
A+ to A-	**13,568**	**2%**	13,610	2%
Total other investments	**693,840**	**100%**	744,768	100%

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2F: LIQUIDITY RISK

Prudent liquidity risk management is achieved by maintaining sufficient cash and liquid deposits to meet any sudden shortfalls in the ability to fund NHFIC. NHFIC also has the explicit guarantee of the Commonwealth of Australia, which is rated AAA and therefore in normal markets there is no significant liquidity risk.

The liquidity table below is based on estimated future cash flows for principal and interest and is not their carrying amounts as shown on the Statement of financial position. The contractual undiscounted amounts comprise principal and interest repayment obligations and are as follows:

	2023			
	Contractual undiscounted principal and interest			
	3 months or less $'000	3 months to 1 year $'000	1 year to 5 years $'000	More than 5 years $'000
Undiscounted financial assets				
Cash and cash equivalents	**291,442**	**-**	**-**	**-**
Trade and other receivables	**4,307**	**274**	**-**	**-**
Loans and advances	**11,676**	**120,337**	**313,286**	**2,425,542**
Other investments	**499,580**	**150,861**	**53,158**	**-**
Total undiscounted financial assets	**807,005**	**271,472**	**366,444**	**2,425,542**
Undiscounted financial liabilities				
Other interest-bearing liabilities	**7,865**	**29,974**	**255,675**	**2,364,344**
Total undiscounted financial liabilities	**7,865**	**29,974**	**255,675**	**2,364,344**
Net undiscounted financial assets	**799,140**	**241,498**	**110,769**	**61,198**

The above maturity profile shows that NHFIC is well capitalised to meet its contractual repayment obligations as and when they arise.

	2022			
	Contractual undiscounted principal and interest			
	3 months or less $'000	3 months to 1 year $'000	1 year to 5 years $'000	More than 5 years $'000
Undiscounted financial assets				
Cash and cash equivalents	67,322	-	-	-
Trade and other receivables	1,488	1,326	-	-
Loans and advances	10,996	79,225	271,652	2,453,131
Other investments	150,401	526,222	78,342	-
Total undiscounted financial assets	230,207	606,773	349,994	2,453,131
Undiscounted financial liabilities				
Other interest-bearing liabilities	7,001	33,278	204,585	2,406,834
Total undiscounted financial liabilities	7,001	33,278	204,585	2,406,834
Net undiscounted financial assets	223,206	573,495	145,409	46,297

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 5.2: Financial instruments (continued)

NOTE 5.2G: INTEREST RATE RISK

NHFIC is exposed to interest rate risk through its borrowing, lending and investment activities. NHFIC has limited appetite for interest rate risk and seeks to structure its business activities accordingly. For example, the Affordable Housing Bond Aggregator operates a matched funding model, whereby loans are provided to Community Housing Providers at rates and tenors matched to the yield on NHFIC bonds or funding from Government via the Line of Credit facility. Further, NHFIC's loan facilities contain break cost clauses to ensure NHFIC is not exposed to reinvestment risk on early loan repayments.

Notwithstanding the above arrangements, NHFIC has residual interest rate risk exposure from mismatches in cash flows between funding and loans, including where NHFIC has issued bonds at a discount to their face value and from the investment of cash and other liquid financial assets. NHFIC has policies and procedures in place for the measurement, management and reporting of interest rate risk.

NHFIC's primary exposure to interest rate risks on interest-bearing financial assets and financial liabilities is set out below:

	2023 $'000	2022 $'000
Interest-bearing financial assets		
Classified as floating rate		
Cash and cash equivalents	**291,442**	67,322
Loans to Community Housing Providers	**100,000**	100,000
Other investments	**73,584**	85,221
Total classified as floating rate	**465,026**	252,543
Classified as fixed rate		
Other investments	**620,256**	659,547
Loans to Community Housing Providers	**2,141,019**	2,072,366
National Housing Infrastructure Facility loans	**87,084**	64,681
Total classified as fixed rate	**2,848,359**	2,796,594
Interest-bearing financial liabilities		
Classified as floating rate		
Other interest-bearing liabilities	**100,000**	100,000
Total classified as floating rate	**100,000**	100,000
Classified as fixed rate		
Other interest-bearing liabilities	**2,134,715**	2,089,859
Total classified as fixed rate	**2,134,715**	2,089,859

Sensitivity analysis of the risk that the entity is exposed to for 2023

The cash and cash equivalents are expected to be invested in loans and advances and other debt securities in the short-term. The face value of the floating rate loans is directly matched against a floating rate borrowing. The impact of a shift in market interest rates of +/–104bp on 30 June 2023 has an immaterial impact on the profit or loss. NHFIC's fixed rate assets and liabilities are held at amortised cost and any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss.

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 6: Other information

Note 6.1: Reporting of NHFIC activities

	2023					
	PFC	GGS				
	AHBA* $'000	NHIF $'000	HGS $'000	Research $'000	Other $'000	Total $'000
Income						
Interest and loan fee revenue	82,707	27,504	-	-	-	110,211
Revenue from Government	-	35,000	4,653	1,763	7,674	49,090
Other revenue	-	-	-	-	-	-
Total income	82,707	62,504	4,653	1,763	7,674	159,301
Expenses						
Employee benefits	13,585	-	2,531	1,310	72	17,498
Suppliers	543	3,411	2,086	1,108	6,283	13,431
Finance costs	45,309	-	-	-	-	45,309
Grants	-	7,727	-	-	-	7,727
Depreciation and amortisation	-	-	352	-	-	352
Total expenses net of provisions	59,437	11,138	4,969	2,418	6,355	84,317
Allowance for credit loss expense	161	5	-	-	-	166
Concessional loan provisions	28,804	1,120	-	-	-	29,924
Total expenses	88,402	12,263	4,969	2,418	6,355	114,407
Total surplus/(deficit)	(5,695)	50,241	(316)	(655)	1,319	44,894
Assets						
Financial assets						
Cash and cash equivalents	27,566	258,860	1,336	274	3,406	291,442
Trade and other receivables[1]	7,344	3,986	51	36	263	11,680
Loans and advances	2,034,303	85,530	-	-	-	2,119,833
Other investments	30,101	663,739	-	-	-	693,840
Non-financial assets						
Property, plant and equipment and intangible assets	17	-	178	-	-	195
Prepayments	546	-	-	-	-	546
Total assets	2,099,877	1,012,115	1,565	310	3,669	3,117,536
Liabilities						
Suppliers	1,602	-	-	-	-	1,602
Other payables[1]	8,671	3,410	970	135	2,350	15,536
Other interest-bearing Liabilities	2,234,715	-	-	-	-	2,234,715
Employee provisions	2,203	-	316	162	-	2,681
Other provisions	28,310	665	-	-	-	28,975
Total liabilities	2,275,502	4,075	1,285	297	2,350	2,283,509
Net assets	(175,625)	1,008,040	280	13	1,319	834,027
Equity						
Contributed equity	-	825,000	-	-	-	825,000
Retained earnings	(169,930)	132,799	596	668	-	(35,867)
Retained surplus/(deficit)	(5,695)	50,241	(316)	(655)	1,319	44,894
Total equity	(175,625)	1,008,040	280	13	1,319	834,027

*NHFIC AHBA shows a negative equity position primarily due to non-cash concessional loan charges associated with loans advanced and committed. The charges will progressively be written back over the life of the loans.

1. Trade and other receivables and other payables are grossed up by $5,670,000 to reflect unconsolidated payables and receivables between reporting classifications.

For purposes of sectoral classification of Government Finance Statistics (GFS) the NHIF, HGS, Research and Other are classified as general government sector (GGS) and AHBA is classified as a public financial corporation (PFC).

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 6.1: Reporting of NHFIC activities (continued)

	2022				
	PFC	GGS			
	AHBA* $'000	NHIF $'000	HGS $'000	Research $'000	Total $'000
Income					
Interest and loan fee revenue	70,278	5,327	-	-	75,605
Revenue from Government	-	35,000	3,193	1,746	39,939
Other revenue	-	-	-	-	-
Total income	70,278	40,327	3,193	1,746	115,544
Expenses					
Employee benefits	8,080	-	1,869	1,005	10,954
Suppliers	3,138	1,979	2,094	962	8,173
Finance costs	36,529	-	-	-	36,529
Grants	-	3,315	-	-	3,315
Depreciation and amortisation	-	-	352	-	352
Total expenses net of provisions	47,747	5,294	4,315	1,967	59,323
Allowance for credit loss expense	235	(1)	-	-	234
Concessional loan provisions	7,522	381	-	-	7,903
Total expenses	55,504	5,674	4,315	1,967	67,460
Total surplus/(deficit)	14,774	34,653	(1,122)	(221)	48,084
Assets					
Financial assets					
Cash and cash equivalents	48,691	16,365	1,158	1,108	67,322
Trade and other receivables[1]	3,766	1,734	102	2	5,604
Loans and advances	1,952,985	63,265	-	-	2,016,250
Other investments	31,226	713,542	-	-	744,768
Non-financial assets					
Intangible assets	-	-	530	-	530
Prepayments	227	-	-	-	227
Total assets	2,036,895	794,906	1,790	1,110	2,834,701
Liabilities					
Suppliers	2,645	-	-	-	2,645
Other payables[1]	5,853	1,983	998	324	9,158
Other interest-bearing Liabilities	2,189,859	-	-	-	2,189,859
Employee provisions	1,331	-	196	118	1,645
Other provisions	7,137	124	-	-	7,261
Total liabilities	2,206,825	2,107	1,194	442	2,210,568
Net assets	(169,930)	792,799	596	668	624,133
Equity					
Contributed equity	-	660,000	-	-	660,000
Retained earnings	(184,704)	98,146	1,718	889	(83,951)
Retained surplus/(deficit)	14,774	34,653	(1,122)	(221)	48,084
Total equity	(169,930)	792,799	596	668	624,133

*NHFIC AHBA shows a negative equity position primarily due to non-cash concessional loan charges associated with loans advanced and committed. The charges will progressively be written back over the life of the loans.

1. Trade and other receivables and other payables are grossed up by $2,519,000 to reflect unconsolidated payables and receivables between reporting classifications.

For purposes of sectoral classification of Government Finance Statistics (GFS) the NHIF, HGS, and Research are classified as general government sector (GGS) and AHBA is classified as a public financial corporation (PFC).

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 6.2: Remuneration of external auditors

	2023	2022
	$	$
Auditor's remuneration		
Amounts received or due and receivable by NHFIC's auditors for:		
An audit or review of the annual report	**85,000**	101,200
Total auditor's remuneration	**85,000**	101,200

Notes to and forming part of the financial statements

for the year ended 30 June 2023

Note 6.3: Current and non-current assets and liabilities

	2023		2022	
	$'000		$'000	
	No more than 12 months	More than 12 months	No more than 12 months	More than 12 months
Assets				
Current assets				
Cash and cash equivalents	**291,442**	**-**	67,322	-
Trade and other receivables	**6,010**	**-**	3,085	-
Prepayments	**546**	**-**	227	-
Other investments	**643,273**	**-**	671,075	-
Loans and advances	**72,043**	**-**	35,432	-
Total current assets	**1,013,314**	**-**	777,141	-
Non-current assets				
Property, plant and equipment, and intangibles	**-**	**195**	-	530
Other investments	**-**	**50,567**	-	73,693
Loans and advances	**-**	**2,047,790**	-	1,980,818
Total non-current assets	**-**	**2,098,552**	-	2,055,041
Total assets	**1,013,314**	**2,098,552**	777,141	2,055,041
Liabilities				
Current liabilities				
Suppliers	**1,602**	**-**	2,645	-
Other payables	**9,866**	**-**	6,639	-
Other interest-bearing liabilities	**66,079**	**-**	-	-
Employee leave and other entitlements	**1,507**	**-**	907	-
Other provisions	**28,975**	**-**	7,261	-
Total current liabilities	**108,029**	**-**	17,452	-
Non-current liabilities				
Other interest-bearing liabilities	**-**	**2,168,636**	-	2,189,859
Employee leave and other entitlements	**-**	**1,174**	-	738
Total non-current liabilities	**-**	**2,169,810**	-	2,190,597
Total liabilities	**108,029**	**2,169,810**	17,452	2,190,597

Index of statutory reporting requirements

NHFIC reports in accordance with the requirements of various Commonwealth Acts and statutory instruments as set out in table Part A below.

Part A: PGPA Act and PGPA Rule List of Requirements

Section	Subject	Location	Page
Public Governance, Performance and Accountability Act 2013			
Section 39	The Board must prepare annual performance statements and include a copy in the annual report.	Annual Performance Statement	17– 63
Section 42	The Board must state in the annual financial statements whether, in the Board's opinion they comply with: a. accounting standards and other requirements prescribed by the rules b. present fairly the entity's financial position, financial performance and cash flows.	Financial statements	100
Section 43	A copy of the annual financial statements and the Auditor-General's report must be included in an annual report.	Financial statements	98 – 141
Section 46	The Board must prepare an annual report.	Annual Report 2022–23	1 – 146

Section	Subject	Location	Page
Public Governance, Performance and Accountability Rule 2014			
17BE	Contents of annual report	Annual Report 2022–23	1 – 146
17BE(a)	Details of the legislation establishing the body.	Our governance and accountability	76
17BE(b)(i)	A summary of the objects and functions of the entity as set out in legislation.	Our purpose and activities	10 – 13
17BE(b)(ii)	The purposes of the entity as included in the entity's corporate plan for the reporting period.	Our purpose and activities	10 – 13
17BE(c)	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers.	Our governance and accountability	76
17BE(d)	Directions given to the entity by the Minister under an Act or instrument during the reporting period.	Our governance and accountability	76
17BE(e)	Any government policy order the applied in relation to the entity during the reporting period under section 22 of the Act.	Not applicable	-
17BE(f)	Particulars of non-compliance with: a. a direction given to the entity by the Minister under an Act or instrument during the reporting period, or b. a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	Not applicable	-
17BE(g)	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule.	Annual Performance Statement	17 – 63

Section	Subject	Location	Page
17BE(h), 17BE(i)	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	There were no significant issues to report in the current reporting period.	-
17BE(j)	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period.	Our governance and accountability	83 – 86
17BE(k)	Outline of the organisational structure of the entity (including any subsidiaries of the entity).	Our people and culture	66
17BE(ka)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: a. statistics on full-time employees b. statistics on part-time employees c. statistics on gender d. statistics on staff location.	Our people and culture	67
17BE(l)	Outline of the location (whether or not in Australia) of major activities or facilities of the entity.	Our people and culture	66
17BE(m)	Information relating to the main corporate governance practices used by the entity during the reporting period.	Our governance and accountability	76 – 87
17BE(n), 17BE(o)	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): a. the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company, and b. the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions.	Not applicable	-
17BE(p)	Any significant activities and changes that affected the operation or structure of the entity during the reporting period.	Our purpose and activities Annual Performance Statement Our governance and accountability	10 – 13 17 – 63 76 – 87
17BE(q)	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity.	Not applicable	-
17BE(r)	Particulars of any reports on the entity given by: a. the Auditor-General (other than a report under section 43 of the Act) b. a Parliamentary Committee c. the Commonwealth Ombudsman d. the Office of the Australian Information Commissioner.	Not applicable	-
17BE(s)	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report.	Not applicable	-
17BE(t)	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	Our people and culture	75

Section	Subject	Location	Page
17BE(taa)	The following information about the audit committee for the entity:	Our governance and accountability	
	a. a direct electronic address of the charter determining the functions of the audit committee		80
	b. the name of each member of the audit committee		87
	c. the qualifications, knowledge, skills or experience of each member of the audit committee		83 – 86
	d. information about each member's attendance at meetings of the audit committee		87
	e. the remuneration of each member of the audit committee.		72
s.17BE(ta)	Information about executive remuneration.	Our people and culture	70 – 73

Part B: Other legislation

Section	Subject	Location	Page
Environment Protection and Biodiversity Conversation Act 1999			
Section 516A(6)	Ecological sustainable development and environmental performance.	Our governance and accountability	82
National Housing Finance and Investment Corporation Act 2018			
Section 56(a)	The particulars of any changes to the Investment Mandate during the period and their impact on the operations of NHFIC.	Our governance and accountability	76
Section 56(b)	In relation to each kind of financial support (including financial support provided by way of guarantee) by NHFIC during the period, a summary of the amount of that kind of financial support and the risks and returns to the Commonwealth.	Annual Performance Statement	17 – 63
Section 56(c)	The particulars of NHFIC's research during the period into housing affordability in Australia.	Annual Performance Statement	52 – 59
Work Health and Safety Act 2011			
Schedule 2, Part 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics of any notifiable incidents and investigations or notices.	Our people and culture	75

Abbreviations and acronyms

Term	Description
ACGB	Australian Commonwealth Government Bond
ACT	Australian Capital Territory
AHBA	Affordable Housing Bond Aggregator
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulatory Authority
ARC	Audit and Risk Committee
AUSTRAC	Australian Transaction Reports and Analysis Centre
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chair	Chair of the NHFIC Board
CHIA	Community Housing Industry Association
CHP	Community housing provider
COO	Chief Operating Officer
ESG	Environmental, social and governance
Executive	Members of NHFIC's Executive Leadership Team
FAR	Fixed annual remuneration
FHBG	First Home Guarantee
FHG	Family Home Guarantee
FHLDS	First Home Loan Deposit Scheme
FTE	Full-time equivalent
GST	Goods and Services Tax
HAFF	Housing Australia Future Fund
HGS	Home Guarantee Scheme
HR	Human resources
Investment Mandate	National Housing Finance and Investment Corporation Investment Mandate Direction 2018
KMP	Key management personnel
Minister	Minister for Housing, Minister for Homelessness and Minister for Small Business
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
NSW	New South Wales
NT	Northern Territory
PGPA Act	*Public Governance, Performance and Accountability Act 2013*

Term	Description
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
Qld	*Queensland*
RFHBG	Regional First Home Buyer Guarantee
SA	South Australia
SGCH	St George Community Housing
SLA	Service level agreement
Statutory 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
Tas	Tasmania
Tribunal	Australian Government Remuneration Tribunal
Vic	Victoria
WA	Western Australia
WHS	Work health and safety
WHS Act	*Work Health and Safety Act 2011*

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