

Joint Committee of Public Accounts and Audit Commonwealth investments to achieve policy objectives: Inquiry into Auditor-General Reports Nos. 14, 26, 28 and 47 (2020-21)

Answers to Questions on Notice

Department / Agency: National Housing Finance and Investment Corporation (NHFIC)

Date of hearing: 3 December 2021

Reference: Hansard, page 8

QUESTION – NATIONAL HOUSING INFRASTRUCTURE FACILITY

Ms BELL: Could I ask you, perhaps on notice, to get the information around any gaps in funding to the state of Queensland; is that possible? Or are you able to answer that?

Mr Neilson: I'm sorry, could you repeat the question?

Ms BELL: It's just in terms of funding that's available under the scheme, if there's an umbrella agreement with Queensland and what the gap might be between funding available and funds drawn down in order to deliver affordable housing.

Mr Neilson: The NHIF scheme, obviously, is available to everybody. I'm not sure whether in fact we have entered into an umbrella agreement with Queensland. We've certainly been in discussions with all the states around that. But, again, Mr Saville might have some updated information on the status of any umbrella agreement with Queensland.

Mr Saville: Yes, that's correct. The umbrella agreement with Queensland hasn't been entered into as yet. But what Mr Neilson said before about the nature of the umbrella agreements and the content of those agreements is absolutely correct. It is designed to ensure that, when individual proposals for a project under the umbrella come before the board for assessment and, if appropriate, approval, many of the standard terms have already been agreed in principle by the parties.

Ms BELL: Thank you, Mr Saville. Can you outline how long the Queensland government has had the agreement in terms of agreeing to it and it not being delivered?

Mr Saville: I'm afraid I don't have the details on that currently.

Ms BELL: Can you take that question on notice, please?

Mr Neilson: Yes, we'll take that on notice.

ANSWER

NHFIC and the Queensland Government have not entered into a National Housing Infrastructure Facility (NHIF) Umbrella Agreement. However, preliminary discussions regarding an Umbrella Agreement have occurred.

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Reference: Hansard, page 9

QUESTION – NHFIC BOARD

Mr HILL: Can you just tell us a little more about that? When you say 'performance review', what does that mean? Is that against a capability matrix or is it individual performance assessments of board members?

Mr Saville: It's generally in relation to the performance of the board, whether it's performing as was intended and whether the board members themselves are [inaudible] and in a position to ensure that the board meets its charter and PGPA Act obligations.

Mr HILL: Can you take on notice to provide us with a copy of the terms of reference, the contract for that review and the methodology?

Mr Saville: Yes, I can.

Mr HILL: We've had previous discussion, for example, with the Defence Housing board, which has a formal capability matrix. They have some similarities in terms of the mix of skills that the board requires and that's quite a rigorous process of assessment. They do one year of self-assessment and then in the alternate year they get an independent assessment—I could be misremembering that but it's something like that. Have you got a formal capability matrix? You talk about the board charter, but presumably there's a capability matrix for the board?

Mr Saville: The skills that are required for board members are itemised in the NHFIC Act. The appointments to the board are made by government, and they would meet those requirements in terms of their background, their skills, their qualifications—

Mr HILL: Sorry, you've just made a claim that they would meet those requirements. What evidence is that based on? Is that just a presumption that the government or the department oversighting you would have done that work?

Mr Saville: We're aware of the background and the experience of all the board members.

Mr HILL: I appreciate that, but you've said the board should review its charter, so if you can take on notice and provide a copy of the charter—whatever that is.

ANSWER

The NHFIC Board has engaged Mumm Associates to undertake an independent Board review. The terms of reference and methodology for the review have been provided to the Committee.

The NHFIC Board Charter is available on the NHFIC website at
<https://www.nhfic.gov.au/media/1521/board-charter-web-version-august-2020.pdf>.

Joint Committee of Public Accounts and Audit

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Additional Questions on Notice

Department / Agency: National Housing Finance and Investment Corporation (NHFIC)

Date of hearing: 3 December 2021

Reference: Written

QUESTION

Delivery against the Investment Mandate

The audit found that 'NHFIC has established mechanisms to monitor its performance and compliance against the Investment Mandate', but that NHFIC 'requires additional measures to give greater assurance that the NHFIC Board is meeting its compliance obligations under the Investment Mandate and its governance charters'. [Audit, p. 52.]

The audit concluded that 'NHFIC's compliance reporting does not provide sufficient analysis of the activities undertaken or the level of comfort that can be taken from these compliance activities'; [Audit, pp. 54–5.] and recommended that NHFIC 'implement additional measures to give greater assurance over the quality of, and compliance with, legislation, policies and procedures'. [Audit, p. 56.]

The audit also observed that 'NHFIC's corporate plans do not provide performance measures of whether strategic objectives achieved additionality or "improved housing outcomes"'. [Audit, p. 57.] The Auditor-General recommended that NHFIC 'present more consistent and transparent information to the NHFIC Board on how it contributes to "improved housing outcomes"'. [Audit, p. 60.]

The audit concluded that:

NHFIC's performance measures are not sufficiently reliable and complete to provide insight into the effectiveness and efficiency of NHFIC's performance. Overall, NHFIC's performance framework and performance measures do not provide meaningful information about NHFIC's achievement of its legislative object 'to improve housing outcomes'. [Audit, p. 73.]

The audit recommended that NHFIC 'strengthen its performance measures to address its legislative object 'to improve housing outcomes' and to provide a greater understanding of its efficiency and effectiveness in delivering outcomes'. [Audit, p. 74.]

Questions for NHFIC

- The Auditor-General made several recommendations around improving compliance with the legislation and Investment Mandate and demonstrating improved housing outcomes. What actions has the NHFIC undertaken to meet these recommendations?
 - What additional measures have you taken to give greater assurance over the quality of, and compliance with, legislation, policies and procedures?
 - What additional measures have you taken to present more consistent and transparent information to the NHFIC Board on how NHFIC contributes to improved housing outcomes?
 - What additional measures have you taken to strengthen the performance measures to improve housing outcomes and to provide a greater understanding of its efficiency and effectiveness in delivering outcomes?
 - Does the NHFIC agree with the audit's findings that it must do more than meets its targets—it must actually demonstrate improved housing outcomes?

ANSWER

Please refer to NHFIC's submission to the Inquiry for information on the actions that NHFIC has implemented since the completion of the ANAO performance audit.

NHFIC is committed to supporting the Parliament and the public in assessing how well it is achieving its purpose.

Improved housing outcomes as defined within the NHFIC Act has several different elements, which can have different applications depending on the function and context. At the time of the ANAO audit, NHFIC's corporate plan outlined a range of both quantitative and qualitative performance metrics designed to measure NHFIC's impact in facilitating the growth of the community housing provider (CHP) sector, increased housing supply and access to the housing market. The Annual Performance Statements in each of NHFIC's Annual Reports have detailed the outcomes against these performance metrics, as well as estimated interest rate savings to CHPs and housing supply outcomes.

NHFIC acknowledges that a holistic view to setting performance information is required given the dynamic environment in which the agency operates and the number of stakeholders and external factors which may impact additionality and achievement of targets and outcomes. These factors include for example the level of state government support, geography land contribution and financial structure among others. Where it is not practical to set targets due to these external factors, reporting against performance metrics focuses on additionality and outcomes. This complements those performance metrics where meaningful targets can be identified.

As a direct action in response to the ANAO recommendations, NHFIC's revised its performance metrics in its Corporate Plan 2021-22. These revised performance metrics include a mix of types (output, efficiency and effectiveness), bases (quantitative, qualitative or a combination) and hierarchy (accountability, strategic, tactical and management) to provide holistic information on the achievement

of key activities in line with NHFIC's purpose. Refer to Appendix A of the Corporate Plan 2021-22 for further information.