



Housing Australia Future Fund	
Party:	Australian Labor Party
<p>Summary of proposal:</p> <p>From 1 July 2022, the proposal would establish a Housing Australia Future Fund (HAFF), administered by the Future Fund with a target rate of return matching that of the Emergency Response Fund (ERF).</p> <p>Net earnings would be available to be drawn at the direction of the relevant minister to be transferred to the National Housing Finance and Investment Corporation (NHFIC) to offer payments for social housing projects or directed to grants. All funds earned in a year would be drawn, not reinvested.</p> <p>A \$10 billion equity injection would be provided in 2022-23 with administration and PDI costs (in cash terms) deducted from the earnings until 2025-26, then from 2026-27 only administration costs would be deducted from the earnings.</p>	

## Costing overview

The proposal would be expected to decrease the fiscal balance by \$28 million and the headline cash balance by \$10 billion, and have no impact on the underlying cash balance over the 2022-23 Budget forward estimates period.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications over the period to 2022-33 is provided at Attachment A.

The financial implications of this proposal are uncertain and particularly sensitive to assumptions on the speed at which capital is deployed and the rate of return on the fund. The investment mandate for the ERF requires the Future Fund Board to have regard to the plausible capital loss from investment returns over the forward 3-year period. This risk of capital loss is estimated at 15-20% of the portfolio over a 3-year period. The actual ability to transfer net earnings to NHFIC or disburse grants is highly sensitive to this risk and so may not represent funding to be made available to disburse in any particular year.

To a lesser extent, the financial implications are also sensitive to assumptions on administration and PDI costs. Actual annual PDI impacts would not in practice equal annual earnings net of administration costs and grants or transfers to NHFIC. This is because actual PDI in a period may vary from the target rate and is affected by fluctuations in contingencies (like bad debts) and operating costs.

Consistent with *Parliamentary Budget Office (PBO) Guidance 02/2015*, PDI expense impacts have been included in this costing because the equity injections provided under this proposal involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of equity amounts. In particular, only the headline cash balance includes transactions related to equity investments. The impact on net debt will be broadly consistent with movements in the headline cash balance.

**Table 1: Financial implications (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	<b>Total to 2025-26</b>
Fiscal balance	-5.3	-9.7	-9.0	-4.0	<b>-28.0</b>
Underlying cash balance	-	-	-	-	-
Headline cash balance	-3,333.3	-3,333.3	-3,333.4	-	<b>-10,000.0</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

- Indicates nil.

## Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Committed funding would not impact consolidated revenue until funding is deployed or drawn down for investment or operational purposes.
  - Around one-third of the equity provided (\$3,330 million) would be deployed each year over 3 years. This is consistent with the equity deployment patterns under the Medical Research Future Fund observed to date.
- The fund would achieve an annual rate of return of the consumer price index (CPI) plus 2.5%, net of costs.
  - This is the mid-point of the target rate of return range the requestor specified for the Fund – 2% to 3% above the CPI, consistent with that of the ERF.
- The fund management costs would be broadly consistent with management costs for the ERF relative to the amount of funding administered.
- The grant amount disbursed by the Minister or transferred to NHFIC would be spent outside the General Government Sector in the year it is earned.

## Methodology

The equity deployment profile, investment gains and departmental costs were modelled as discussed in *Key assumptions* above. Equity deployments were estimated using information from the Medical Research Future Fund provided by the Department of Finance.

- Differences in timing of accrual and cash recognition of PDI costs result in a small, negative impact to the fiscal balance, in years where PDI costs are met from within revenue generated by the Fund.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>1</sup>

<sup>1</sup> [https://www.apf.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.apf.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

## Data sources

Information on the Emergency Response Fund returns and operational expenses over the 2022-23 Budget forward estimates period was provided by the Department of Finance as at the 2022-23 Budget.

Information on the Medical Research Future Fund's equity injections over the 2022-23 Budget forward estimates period was provided by the Department of Finance as at the 2022-23 Budget.

Economic parameters used in the model were provided by the Department of Finance and the Treasury as at the *Pre-election economic and fiscal outlook*.

Department of Finance (2022) [Emergency Response Fund | Department of Finance](#), Emergency Response Fund website, accessed 23 February 2022.

## Attachment A – Housing Australia Future Fund– financial implications

**Table A1: Housing Australia Future Fund – Fiscal balance (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Revenue</b>													
<i>Investment earnings</i>	221.0	422.0	589.0	574.0	554.0	529.0	526.0	533.0	541.0	544.0	540.0	1,806.0	5,573.0
<b>Total – revenue</b>	<b>221.0</b>	<b>422.0</b>	<b>589.0</b>	<b>574.0</b>	<b>554.0</b>	<b>529.0</b>	<b>526.0</b>	<b>533.0</b>	<b>541.0</b>	<b>544.0</b>	<b>540.0</b>	<b>1,806.0</b>	<b>5,573.0</b>
<b>Expenses</b>													
<b>Administered</b>													
<i>Grants payments</i>	-175.0	-291.0	-366.0	-304.0	-514.0	-489.0	-486.0	-493.0	-501.0	-504.0	-499.0	-1,136.0	-4,622.0
<b>Total – administered</b>	<b>-175.0</b>	<b>-291.0</b>	<b>-366.0</b>	<b>-304.0</b>	<b>-514.0</b>	<b>-489.0</b>	<b>-486.0</b>	<b>-493.0</b>	<b>-501.0</b>	<b>-504.0</b>	<b>-500.0</b>	<b>-1,136.0</b>	<b>-4,623.0</b>
<b>Departmental</b>													
<i>Management Fees</i>	-13.3	-26.7	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-120.0	-400.0
<b>Total – expenses</b>	<b>-188.3</b>	<b>-317.7</b>	<b>-406.0</b>	<b>-344.0</b>	<b>-554.0</b>	<b>-529.0</b>	<b>-526.0</b>	<b>-533.0</b>	<b>-541.0</b>	<b>-544.0</b>	<b>-540.0</b>	<b>-1,256.0</b>	<b>-5,023.0</b>
<b>Total (excluding PDI)</b>	<b>32.7</b>	<b>104.3</b>	<b>183.0</b>	<b>230.0</b>	-	-	-	-	-	-	-	<b>550.0</b>	<b>550.0</b>
<b>PDI impacts</b>	<b>-38.0</b>	<b>-114.0</b>	<b>-192.0</b>	<b>-234.0</b>	<b>-240.0</b>	<b>-246.0</b>	<b>-254.0</b>	<b>-261.0</b>	<b>-270.0</b>	<b>-279.0</b>	<b>-312.0</b>	<b>-578.0</b>	<b>-2,440.0</b>
<b>Total (including PDI)</b>	<b>-5.3</b>	<b>-9.7</b>	<b>-9.0</b>	<b>-4.0</b>	<b>-240.0</b>	<b>-246.0</b>	<b>-254.0</b>	<b>-261.0</b>	<b>-270.0</b>	<b>-279.0</b>	<b>-312.0</b>	<b>-28.0</b>	<b>-1,890.0</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

**Table A2: Housing Australia Future Fund – Underlying cash balance (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Receipts</b>													
<i>Investment earnings</i>	221.0	422.0	589.0	574.0	554.0	529.0	526.0	533.0	541.0	544.0	540.0	1,806.0	5,573.0
<b>Total – receipts</b>	<b>221.0</b>	<b>422.0</b>	<b>589.0</b>	<b>574.0</b>	<b>554.0</b>	<b>529.0</b>	<b>526.0</b>	<b>533.0</b>	<b>541.0</b>	<b>544.0</b>	<b>540.0</b>	<b>1,806.0</b>	<b>5,573.0</b>
<b>Payments</b>													
<b>Administered</b>													
<i>Grants payments</i>	-175.0	-291.0	-366.0	-304.0	-514.0	-489.0	-486.0	-493.0	-501.0	-504.0	-499.0	-1,136.0	-4,622.0
<b>Total – administered</b>	<b>-175.0</b>	<b>-291.0</b>	<b>-366.0</b>	<b>-304.0</b>	<b>-514.0</b>	<b>-489.0</b>	<b>-486.0</b>	<b>-493.0</b>	<b>-501.0</b>	<b>-504.0</b>	<b>-500.0</b>	<b>-1,136.0</b>	<b>-4,623.0</b>
<b>Departmental</b>													
<i>Management Fees</i>	-13.3	-26.7	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-120.0	-400.0
<b>Total – payments</b>	<b>-188.0</b>	<b>-317.0</b>	<b>-406.0</b>	<b>-345.0</b>	<b>-554.0</b>	<b>-529.0</b>	<b>-526.0</b>	<b>-533.0</b>	<b>-541.0</b>	<b>-544.0</b>	<b>-540.0</b>	<b>-1,256.0</b>	<b>-5,023.0</b>
<b>Total (excluding PDI)</b>	<b>33.0</b>	<b>105.0</b>	<b>183.0</b>	<b>229.0</b>	-	-	-	-	-	-	-	<b>550.0</b>	<b>550.0</b>
<i>PDI impacts</i>	-33.0	-105.0	-183.0	-229.0	-239.0	-246.0	-253.0	-260.0	-269.0	-278.0	-308.0	-550.0	-2,403.0
<b>Total (including PDI)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-239.0</b>	<b>-246.0</b>	<b>-253.0</b>	<b>-260.0</b>	<b>-269.0</b>	<b>-278.0</b>	<b>-308.0</b>	<b>-</b>	<b>-1,853.0</b>

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

**Table A3: Housing Australia Future Fund – Headline cash balance (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Receipts</b>													
<i>Investment earnings</i>	221.0	422.0	589.0	574.0	554.0	529.0	526.0	533.0	541.0	544.0	540.0	1,806.0	5,573.0
<b>Total – receipts</b>	<b>221.0</b>	<b>422.0</b>	<b>589.0</b>	<b>574.0</b>	<b>554.0</b>	<b>529.0</b>	<b>526.0</b>	<b>533.0</b>	<b>541.0</b>	<b>544.0</b>	<b>540.0</b>	<b>1,806.0</b>	<b>5,573.0</b>
<b>Payments</b>													
<b>Administered</b>													
<i>Grants payments</i>	-175.0	-291.0	-366.0	-304.0	-514.0	-489.0	-486.0	-493.0	-501.0	-504.0	-499.0	-1,136.0	-4,622.0
<i>Initial investment</i>	-3,333.3	-3,333.3	-3,333.4	-	-	-	-	-	-	-	-	-10,000.0	-10,000.0
<b>Total – administered</b>	<b>-3,508.3</b>	<b>-3,624.6</b>	<b>-3,699.4</b>	<b>-304.0</b>	<b>-514.0</b>	<b>-489.0</b>	<b>-486.0</b>	<b>-493.0</b>	<b>-501.0</b>	<b>-504.0</b>	<b>-500.0</b>	<b>-11,136.3</b>	<b>-14,623.3</b>
<b>Departmental</b>													
<i>Management Fees</i>	-13.3	-26.7	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-120.0	-400.0
<b>Total – payments</b>	<b>-3,521.3</b>	<b>-3,650.3</b>	<b>-3,739.4</b>	<b>-345.0</b>	<b>-554.0</b>	<b>-529.0</b>	<b>-526.0</b>	<b>-533.0</b>	<b>-541.0</b>	<b>-544.0</b>	<b>-540.0</b>	<b>-11,256.0</b>	<b>-15,023.0</b>
<b>Total (excluding PDI)</b>	<b>-3,300.3</b>	<b>-3,228.3</b>	<b>-3,150.4</b>	<b>229.0</b>	<b>-</b>	<b>-9,450.0</b>	<b>-9,450.0</b>						
<i>PDI impacts</i>	-33.0	-105.0	-183.0	-229.0	-239.0	-246.0	-253.0	-260.0	-269.0	-278.0	-308.0	-550.0	-2,403.0
<b>Total (including PDI)</b>	<b>-3,333.3</b>	<b>-3,333.3</b>	<b>-3,333.4</b>	<b>-</b>	<b>-239.0</b>	<b>-246.0</b>	<b>-253.0</b>	<b>-260.0</b>	<b>-269.0</b>	<b>-278.0</b>	<b>-308.0</b>	<b>-10,000.0</b>	<b>-11,853.0</b>

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.