



An Ghníomhaireacht
Airgeadais Tithíochta
Housing Finance Agency

Corporate Plan 2024 - 2028

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PART 1: INTRODUCTION

The Housing Finance Agency's Corporate Plan is drawn up in conformity with the Code of Practice for the Governance of State Bodies (Sections 1.15, 1.17 and 1.18) and forms part of the Housing Finance Agency's Strategy Statement, *HFA 2026*. *HFA 2026*, in turn, supports and complements the housing strategy of the Department of Housing, Local Government & Heritage (DHLGH) and builds on the success of our last strategy.

This Corporate Plan is concerned primarily with the five-year projected accounts for years 2024 to 2028 and is additional to the Performance Delivery Agreement with the DHLGH.

The provision of competitive funding by the Housing Finance Agency (HFA) is seen as an important component in the delivery of social and affordable housing by the DHLGH. The HFA is well placed to build on its Strategy *HFA 2026*, and structures are in place to increase our business portfolio to €13.6 billion at the end of 2028 by introducing innovative products to existing and new customers.

MISSION AND GOALS

The HFA's mission is to facilitate the successful delivery of social and affordable housing in Ireland. The Agency does this by providing long-term competitive finance to the sector, and by using our financial expertise to support our stakeholders in the development and implementation of effective housing programmes.

The HFA's Strategy Statement, HFA 2026, consists of three strategic goals which are central to its delivery:

Goal 1: We will have increased our business portfolio to €11.8 billion by introducing innovative products to existing and new customers.

Goal 2: We will enjoy a reputation for excellence among our stakeholders

Goal 3: We will provide exceptional service to customers through a professional and committed Board and staff.

PART 2: LENDING

PROJECTED NET LOAN ADVANCES

Anticipated gross lending of €8.30 billion will be spread out over the life of the plan. Annuity repayments estimated at €2.2 billion will reduce anticipated lending by the HFA to a net €6.1 billion. This will result in an outstanding loan book at the end of the plan of c.€13.6 billion. We have the capability to deliver more if required under the new housing strategy of the Department of Housing, Local Government and Heritage.

Forecast lending from 2024 to 2028 is as follows:

	2024 €m	2025 €m	2026 €m	2027 €m	2028 €m	Total €m
Approved Housing Bodies						
- Social housing	800	800	850	850	850	4,150
- Cost rental	200	200	200	200	200	1,000
	1,000	1,000	1,050	1,050	1,050	5,150
Local Authorities						
- Local Authority Mortgage Lending	150	150	150	150	150	750
- Housing infrastructure	100	100	100	100	100	500
- Retrofitting lending	50	50	50	50	50	250
	300	300	300	300	300	1,500
Higher Education Institutions						
- Student accommodation	100	100	100	100	100	500
	100	100	100	100	100	500
Other	150	250	250	250	250	1,150
Total gross new lending	1,550	1,650	1,700	1,700	1,700	8,300
Annuity repayments and redemptions	(350)	(400)	(450)	(450)	(500)	(2,150)
Total net new lending	1,200	1,250	1,250	1,250	1,200	6,150

Approved Housing Bodies (AHBs):

- The growth in lending to AHBs for the development of new social housing (acquisitions and new builds) may decline slightly in later years, as other financial institutions enter the market.
- Currently, the cost rental scheme is being met by AHBs. Other solutions could be explored to expand on this scheme in later years.

The figures above represent forecast loan drawdowns. Committed lending comprising AHB loan applications approved by the HFA but not yet advanced are not included in the above estimates.

Local Authorities (LAs):

- We believe that LAs have the capacity to borrow and deliver on social housing development if supported.
- LA gross lending is forecast to increase by €1.5 billion up to 2028.

Higher Education Institutions (HEIs):

- HEI gross lending is forecast to increase by €0.5 billion up to 2028.

Other:

- This category provides scope for lending not currently known.

INTEREST RATES

The HFA has included the following Interest rates in these projections:

	2024	2025	2026	2027	2028
	%	%	%	%	%
Approved Housing Bodies*					
- Social housing	2.87	2.87	2.87	2.87	2.87
- Cost rental	2.83	2.83	2.83	2.83	2.83
Local Authorities					
- Local Authority Mortgage Lending	3.30	3.30	3.30	3.30	3.30
- Other mortgage related lending	3.00	3.00	3.00	3.00	3.00
- Housing infrastructure	3.25	3.25	3.25	3.25	3.25
- Capital loan and subsidy	3.50	3.50	3.50	3.50	3.50
- Retrofitting lending	3.30	3.30	3.30	3.30	3.30
Higher Education Institutions					
- Student accommodation	3.75	3.75	3.75	3.75	3.75
Other	3.30	3.30	3.30	3.30	3.30

**these AHB interest rates reflect the portfolio weighted average rate at time plan was developed.*

Interest rate prospects:

- The absolute rates charged to households, local authorities, AHBs and HEIs over the Plan period will depend upon
- (a) the general level of rates (i.e. ECB rates) in the market;
- (b) the costs of funding generated via the NTMA; and:
- (c) the cost of borrowing raised from other sources.
- The projections in this plan are cost neutral in terms of funding.

PART 3: FUNDING

STATUTORY BORROWING LIMIT

The HFA statutory borrowing limit was recently increased to €12 billion, as set out in the Local Government (Mayor of Limerick) and Miscellaneous Provisions Act 2024, which amended section 10 of the Housing Finance Agency Act 1981.

Housing for All envisages that the HFA's loan book will increase to €13.6 billion over the life of this plan.

FUNDING

The HFA raises funding with the support of a guarantee from the Minister of Finance largely through the National Treasury Management Agency (NTMA), local authorities and international agencies such as the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). Marginal funding is raised via the NTMA using the Guaranteed Note Programme (GN Programme) under an agreed pricing arrangement as approved by the Board. This GN Programme was recently increased from €8.5 billion to €10.5 billion.

At the end of 2023, the average maturity of HFA debt was 10.8 years (2022: 9.9 years). This provides a stable funding base for the HFA's loan portfolio and significantly reduces short term liquidity risk for the HFA. The liability maturity profile is expected to increase over the life of this plan as additional long term fixed rate funding is due to be accessed via the GN Programme with the NTMA and bilateral agreements with the EIB and CEB. In addition, the HFA will continue to have access to the NTMA and a bank overdraft for short term liquidity needs as required.

	2024	2025	2026	2027	2028
New fixed rate NTMA/EIB/ CEB funding:	3.20%	3.35%	3.35%	3.35%	3.35%
Average Cost of Funds:	1.91%	2.08%	2.22%	2.31%	2.43%

It is assumed that new net lending will predominantly be long-term fixed and be financed by matched fixed rate borrowings at the rates above.

Variable rate funding: As at 30 April 2024, variable rate funding accounted for 24% of the HFA's current funding requirement.

Fixed rate funding: The HFA has arranged long-term fixed rate finance for new-build and retrofit social housing projects from the EIB and CEB with facilities of up to €903 million and €534 million, respectively. This finance is available to LAs and AHBs at market-leading rates fixed over 25 years. In addition to this the HFA holds €4.33 billion in fixed rate deals with the NTMA.

PART 4: PROJECTED ACCOUNTS 2024-2028

FINANCIAL PROJECTIONS

A summary of projected results for the period of the Plan is as follows:

	31 Dec 2024 €m	31 Dec 2025 €m	31 Dec 2026 €m	31 Dec 2027 €m	31 Dec 2028 €m
Interest income	220.6	257.6	295.2	332.8	369.7
Interest expense	<u>(144.4)</u>	<u>(180.4)</u>	<u>(216.4)</u>	<u>(250.6)</u>	<u>(288.8)</u>
Net interest income	76.2	77.2	78.8	82.2	80.9
Administration expenditure	(3.6)	(3.8)	(3.9)	(3.9)	(4.0)
Operating lease	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Depreciation	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Other admin expenses	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.3)</u>
Gain on ordinary activities	<u>71.9</u>	<u>72.7</u>	<u>74.2</u>	<u>77.6</u>	<u>76.2</u>
Closing Reserves	584	657	732	809	886
Balance due on loan advances at year end	8,629	9,878	11,128	12,378	13,578

The closing reserves do not take account of Pension fund FRS102 adjustments 2023:€-0.42m, (2022:€0.38m), which have the potential to raise or lower the figures above.

DIVIDEND POLICY

The dividend policy of the HFA is as follows:

“...to award up to 30% of its total recognised gains for the previous financial year, provided that the payment of a dividend is appropriate and prudent in the context of the HFA’s financial position, strategic objectives and prospects.”

It is possible that the HFA could award dividends, based on projected returns detailed in the previous section of circa €20 million per annum on average. Alternatively, the HFA may, at the request of its beneficial shareholder, award a more significant dividend. No dividend awards are assumed to be made over the life of the Plan.

PART 5: HUMAN RIGHTS AND EQUALITY

The HFA is committed to the principles of equality of opportunity, fairness and accessibility for all, both in the services it provides to customers and in its role as an employer.

In line with the HFA's statutory obligations under Section 42 of the Irish Human Rights and Equality Commission Act 2014, The HFA is committed to embedding and developing a culture of respect for human rights and equality among staff and for all our customers and stakeholders.

The HFA's Equality and Diversity Policy underpins the HFA's commitment to equality of opportunity and anti-discrimination practice, both in the provision of services and as an employer. This policy will be reviewed periodically to reflect legal standards, government policy and practice.

In its efforts to protect human rights, promote equality and eliminate discrimination, the HFA will:

- Develop and improve customer policies and processes to provide the best possible service to everyone, ensuring that there is no discrimination on grounds of gender, civil status, family status, sexual orientation, religious belief, age, disability, race or membership of the Traveller community.
- Support and facilitate government housing policy and other initiatives that promote equality and social inclusion.
- Continue to include principles of equality and non-discrimination in our staff and recruitment policies to provide equality of opportunity for all.
- Ensure that equal access is considered and accommodated in each area of the HFA's work and that information provided to stakeholders and customers is comprehensive, clear, accurate and accessible.

An Equality and Human Rights Working Group comprised of staff members from each department plays an important role in how the HFA progresses this duty and incorporates the principles into its policies and processes.

The working group has identified opportunities for improvement, including enhanced accessibility on the HFA website and a review of customer policies and processes to ensure everyone receives the best possible service from the agency. These improvements will be advanced over the course of this plan.