



HFA An Ghníomhaireacht
Airgeadais Tithíochta
Housing Finance Agency

Oversight and Performance Delivery Agreement between
the Housing Finance Agency plc and
the Department of Housing, Local Government and Heritage

2022 to 2024

PART ONE: OVERSIGHT AGREEMENT

The purpose of this Oversight Agreement is to define the terms of the relationship between the Housing Finance Agency (“HFA”) and the Department of Housing, Local Government and Heritage as required under section 8.4 of the *Code of Practice for the Governance of State Bodies*.

The Agreement outlines the governance arrangements relating to the HFA and as such, it aims to ensure clarity of accountability, roles and responsibilities of the HFA and the Department with a view to ensuring that the HFA discharges its statutory functions in an efficient and effective manner. In so doing, the Agreement provides details of the legal framework of the HFA, the roles and responsibilities of the HFA, compliance with the *Code of Practice for the Governance of State Bodies*, monitoring arrangements, and the duration of and signatories to the Agreement.

This Agreement is not intended to replace any existing reporting or accountability requirements. The Agreement also incorporates a performance delivery agreement as envisaged for State bodies under the *Code of Practice for the Governance of State Bodies*.

Legal Framework

The HFA is a public company limited by shares and was incorporated under the Companies Acts, 1963-2012 (since replaced by the Companies Act, 2014) of Ireland on 8 February 1982 and pursuant to the Housing Finance Agency Acts, 1981 to 1988.

The Minister for Public Expenditure and Reform beneficially owns all the issued share capital of the HFA and, under the terms of the Housing Finance Agency Act, 1981 (as amended), has the power to guarantee debt issued by the HFA.

The HFA is subject to a range of legislation and regulation including Housing Finance Agency Acts, Housing (Miscellaneous Provisions) Acts, Planning and Development (Amendment) Act, and the Planning and Development (Housing) and Residential Tenancies Acts; Departmental Circulars and Directives; the Public Spending Code and EU State Aid decisions.

1. Purpose and responsibilities

The principal objective of the HFA is to raise and on-lend funds to Irish local authorities, approved housing bodies, the Local Government Management Agency, Higher Education Institutions, Technological Universities and The Housing Agency for purposes authorised under Irish legislation. This principally relates to the provision of social and affordable housing.

2. Role of the HFA within the Housing, Planning and Local Government Sectors

Housing Finance Agency (HFA) plc is a non-commercial semi-State company under the aegis of the Minister for Housing, Local Government, and Heritage, limited by shares under the terms of the Housing Finance Agency Act 1981, as amended. The principal objective of the company is to advance funds to local authorities, approved housing bodies (AHBs), higher education institutions (HEIs), the Land Development Agency (LDA) and technological universities (Tus) to be used by them for any purpose authorised under the Housing Acts 1966 to 2016, as amended, and to borrow or raise funds for these purposes.

HFA Mission

To facilitate the successful delivery of social and affordable housing in Ireland, 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 are committed to the public service values of:

- Adaptability
- Respect
- Affordability
- Effectiveness
- Sustainability
- Integrity
- Accountability
- Openness
- Impartiality

The HFA facilitates the delivery of Social Housing in Ireland and, to fulfil this role effectively, it has drawn up a five-year Strategy HFA 2026 – a strategy that supports and complements *Housing for All*, the Government’s housing plan for Ireland.

3. Roles and Responsibilities

Department of Housing, Local Government and Heritage

From a corporate governance perspective the HFA is obliged to comply with the *Code of Practice for the Governance of State Bodies*, and it is statutorily obliged to comply with reporting requirements set out in the Housing Finance Agency Act 1981. The Department is responsible for overseeing such compliance.

The Department has assigned accountability to a member of the Management Board for ensuring that the standards set for the Provision of Information to members of the Oireachtas are met by all bodies under its aegis, including the HFA. The Department will publish a report annually on its website regarding compliance with those standards.

The Board

The Board of the HFA can comprise a maximum of twelve persons, which includes a Chairperson, and ordinary membership of not less than four. Each member is appointed for a period not to exceed 5 years by the Minister in accordance with the Guidelines on Appointments to State Boards, published by the Department of Public Expenditure and Reform in 2014.

The members of the Board are collectively responsible for leading and directing HFA activities within a framework of prudent and effective controls. The Board should act on a fully informed and ethical basis, in good faith, with due diligence and care, and in the best interest of HFA, having due regard to its legal responsibilities and the objectives set by Government.

The Board should ensure that appropriate policies are in place to ensure integrity and transparency. Codes of Conduct should be published for the Board and employees, to include a reference to the need to comply with the relevant provisions of the Ethics in Public Office Acts.

The Board is responsible for holding the CEO and senior management to account for the effective performance of their responsibilities.

The Board should undertake a self-assessment annual evaluation of its own performance and that of its Board committees.

Chairperson of the Board

The Chairperson of the Board is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairperson should act on the results of the annual Board evaluation by addressing any weaknesses identified. The Chairperson guides the HFA in its task of setting strategic priorities.

The Chairperson will furnish a comprehensive report to the Minister for Housing, Local Government and Heritage, in conjunction with HFA Annual Report and Financial Statements. This report should provide assurance to the Minister that the systems of internal control, risk management and other areas of governance are operating effectively.

The Chairperson's report to the Minister regarding the system of internal control should also be included in HFA's Annual Report.

4. Internal Audit

The HFA is due to tender for the outsourcing of its internal audit services in the coming months, for the period to October 2025.

5. Audit and Risk Committee

HFA Audit and Risk Committee consists of at least three independent, non-executive Board members, with written terms of reference, which clearly outline the committee's authority and duties. The role of the Committee is to ensure that the interests of Government and other stakeholders are fully protected in relation to business and financial reporting and internal control.

6. Chief Executive Officer

The HFA is a limited company and Articles 84, 85 and 86 of the HFA Constitution covers the appointment of a new CEO. This provides that the CEO is a director of the HFA, and is appointed by the Minister following consultation with the Minister for Public Expenditure and Reform. Reporting to the Board, the Chief Executive is responsible for the day-to-day management and administration of the business and resources (financial and non-financial) of the HFA. They are responsible for the establishment and maintenance of high standards in implementing the functions of the HFA and ensuring a reputation for impartiality, management of conflicting interests, and upholding the public interest at all times. The CEO is also responsible, with the

Board, for setting the strategic direction for the HFA.

7. Corporate Governance

Code of Practice for the Governance of State Bodies

As a State body operating under the aegis of the Minister, the HFA is subject to a range of statutory and corporate governance obligations including the *Code of Practice for the Governance of State Bodies*. The provisions of the *Code* do not override existing statutory requirements and other obligations imposed by the specific statutory provisions relating to the HFA itself and other relevant legislation. It is envisaged that the HFA will comply with all aspects of the *Code's* requirements and there are no expected derogations from the provisions of the *Code*.

Corporate Governance compliance is central to the HFA, and it complies with, and reports on, the following:

- the *Irish Corporate Governance Annex* issued by the Irish Stock Exchange (ISE); and
- the *Code of Practice for the Governance of State Bodies* published by the Department of Public Expenditure and Reform.

Strategic Plan

The role of the HFA is to facilitate the delivery of Social Housing in Ireland and, to fulfil this role effectively, it has drawn up a five-year Strategy *HFA 2026* - a strategy that supports and complements government's *Housing for All Strategy*.

Annual Report

The Code of Practice for the Governance of State Bodies requires the HFA to make a report to the Minister no later than 30 June in each year, in relation to the performance of the functions of the HFA during the preceding year.

Financial Statements

Section 13 of the Housing Finance Agency Act 1981 requires the HFA to furnish to the Minister

- (a) a balance sheet as at the end of the accounting year duly audited by the auditor of the Agency,
- (b) an income and expenditure account for the accounting year so audited, and
- (c) a copy of the report of the directors to the shareholders for the accounting year.

Comprehensive Report to the Minister

The Chairperson of the HFA will provide, on an annual basis in conjunction with the Annual Report, a Comprehensive Report to the Minister on the HFA. This should include confirmation that an Oversight Agreement and a Performance Delivery Agreement, has been reached with the Department of Housing, Local Government and Heritage; that the appropriate internal financial controls are in place and that an appropriate assessment has been conducted of the HFA's principal risks, including a description of these risks and associated mitigation measures or strategies.

Protected Disclosures

In accordance with the Protected Disclosures Act, 2014, the HFA has procedures in place for the making of protected disclosures by employees who are or were employed by the HFA and for dealing with such disclosures.

The HFA's Corporate Protected Disclosure Policy aims to:

- Ensure employees feel comfortable in raising concerns, and to question and act upon concerns about particular practices or events.
- Provide clear avenues for employees to raise any concerns.
- Ensure employees receive a response to their concerns and feedback on any action taken.
- Reassure employees that they will be protected from possible reprisals or victimisation if they have a reasonable belief of wrongdoing and have made a disclosure in good faith.

Provision of Information to Members of the Oireachtas

In accordance with D/PER Circular 25/2016 – *Protocol for the Provision of Information to Members of the Oireachtas by State Bodies under the aegis of Government Departments*, the HFA are obliged to:

- Provide and maintain a dedicated email address for Oireachtas members.
- Put in place formal feedback processes to obtain feedback from Oireachtas members.
- Comply with target deadlines and standards in terms of acknowledgements and responses to queries.
- Designate a person at senior management level within the HFA with responsibility for ensuring the timely provision of information to members of the Oireachtas.
- Report annually (in the Chairperson's Comprehensive Report to the Minister) on compliance with standards set out in Circular 25/2016.
- Seek, where appropriate, to publish the response to queries from members of the Oireachtas on the HFA's website.

8. Monitoring and Review

Annual Meetings with HFA CEO and Chairperson

The Secretary General invites the Chairpersons and CEOs of all bodies under the aegis of the Department, including the Chairperson of the HFA and the Chief Executive, to meet with himself and the Department's Management Board on an annual basis. The agenda includes matters such as departmental changes, governance issues, and workforce planning.

Annual Meetings with HFA CEO and Chairperson

Hold at least two Performance and Accountability meetings each year between the Department and the CEO of the HFA. The aim of these meetings is to provide a formal opportunity for the Department or the HFA to communicate and discuss issues and a systematic forum for monitoring the performance of the HFA as set out in the Performance Delivery Agreement.

Monitoring

Governance obligations will also be reviewed as part of the overall monitoring process of this Oversight Agreement.

PART 2: PERFORMANCE DELIVERY AND SERVICE AGREEMENT

1. Objectives of the Agreement

The purpose of this agreement is to formalise a process through which the outputs and outcomes required from the HFA can be measured and assessed. Equally, the agreement will set out the expectations of the HFA in relation to the support, guidance and information flow from the Department of Housing, Local Government and Heritage, which are vital in enabling the HFA to achieve its strategic and operational goals. To achieve this, it is necessary to set out the following:

- The Department's expectations of the HFA;
- The key inputs, outputs and expected outcomes of the HFA's activities;
- Assessment of performance by monitoring of agreed targets around those key outputs, inputs and outcomes;
- Support of the HFA by the Department in the delivery of its functions as set out in the Housing Finance Agency Act 1981.

This Agreement documents the agreed level of service between the parties in order to facilitate improved effectiveness and efficiency of relevant public services. It sets out the HFA's key targets for 2022 and defines the output and outcome indicators on which performance should be measured.

The Agreement seeks to (a) facilitate the HFA in carrying out its functions, (b) progress the ongoing development of output measures for its expenditure, and (c) improve the effectiveness and efficiency of public services.

The Agreement will support the HFA's *Strategy 2026* in achieving its high-level goals.

2. Commitments Mutual

Commitments

- Both parties agree to proactive and timely communications, cooperation and information on service delivery;
- Both parties support the effective achievement of agreed targets, as well as the promotion of partnership, responsiveness and mutual cooperation in their ongoing interactions;

- Both parties agree to consult and to keep each other fully apprised on all matters of mutual relevance;
- Both parties agree on the effective realisation of this agreement and the agreed targets that will come about.

Department of Housing, Local Government and Heritage Commitments

The Department will provide the following supports to the HFA to enable it to deliver on its objectives:

- Liaise with the Department of Public Expenditure and Reform to ensure as far as possible, timely sanction for expenditure and staffing in line with Public Financial Procedures and Public Service Numbers policy;
- Provide updates on Public Financial Procedures and Civil Service HR Policy Guidelines;
- Provide guidance on Government Accounting and Governance;
- Inform and involve the HFA in any activities related to the role that HFA plays or may be required to play within the Department;
- Work with the HFA in the regular reporting processes under the Public Sector Reform and Civil Service Renewal Programmes; Ensure that the State Boards process is initiated at an early stage (when vacancies arise or are anticipated

3. Inputs

Financial Inputs

The HFA is self-financing and not in receipt of funds from the Exchequer.

Staffing Resources

The HFA recently submitted a Draft Workforce Plan for the 2022 to 2024 period which has been agreed with the Department of Housing, Local Government and Heritage.

4. Outputs/Targets

The role of the HFA is to facilitate and support the successful delivery of Social Housing in Ireland. In order to fulfil this role effectively the HFA developed *HFA 2026*. This is a strategy that supports and complements Housing for All under which the HFA will fund at least 25% of the €20 billion investment spend projected under this plan and enable the delivery of 19,000 homes and 3,300 new student beds .

Three strategic pillars were identified which are central to the delivery of *HFA 2026* –

- **Pillar 1 Customers and Competitors**

The HFA will increase their business portfolio to €11.8 billion by introducing innovative products to existing and new customers.

- **Pillar 2 Other Stakeholders**

The HFA will enjoy a reputation for excellence among our stakeholders who clearly understand and value HFA offerings.

- **Pillar 3 Change Management**

The HFA will provide exceptional service to customers through professional and committed staff who are proud to work in the HFA.

Key Performance indicators

The following section sets out the Key Performance Indicators, which will be used to assess the HFA's progress towards achieving its key mandate and core function.

Metrics to demonstrate achievement -

- Level of funding advanced to each sector (Local Authorities, AHBs, HEIs, LDA, TUs etc.)
- Interest rates available
- Range of financial products offered

- a. Annual & Multi-Annual Targets
 - Amounts advanced per sector per annum
 - Total loan portfolio - €5.9bn to €9.5bn to 2024
 - Number of units delivered – 8,900 LA/HEI/TU/LDA units and 4,500 AHB units by 2024
 - Interest rates – percentage of portfolio on fixed rates – 20% to 50% by 2024
 - Number of LAs, AHBs, HEIs, TUs etc. being advanced funds

- b. Key Programmes for Delivery
 - Borrowing:
 - Sourcing of competitive, long-term finance to on-lend to customers
 - Through NTMA, European Investment Bank, Council of Europe Development Bank and Local Authority surplus funds.
 - Lending:
 - Lending to LAs (incl. the Rebuilding Ireland Home Loan), AHBs, TUs, Land Development Agency & HEIs
 - Expansion of customer base - TUs, Land Development Agency and the Care Sector.

4. Potential Risk Factors

As prescribed by the revised Code of Practice for the Governance of State Bodies, a risk management policy framework, overseen by the Audit and Risk Committee, was adopted by the Board and a formal Risk Management Committee, consisting of Senior Management, has been operational since 2009. The Risk Management Framework and Policy is regularly reviewed by both Committees. The monitoring of risk remains a standing item at Audit & Risk Committee meetings. The HFA is a financial business and the key risks associated with the business are essentially financial and treasury-related risk.

The HFA carries out a comprehensive annual review of risks which is approved by the Board, and forms part of the HFA's interest rate and reserves policy for subsequent years. The Board is informed on a quarterly basis of developments and corrective action, if required, is taken.

Reflecting the key priorities of the organisation, the main potential risks to the achievement of targets set out in this Agreement at the time of writing are:

Financial Risks

The Audit and Risk Committee assesses material risks namely:

- Treasury Risk
 - Funding,
 - Liquidity
 - Interest Rate Risk
- Other Risks

Treasury Risk

The HFA has developed a risk management process which includes constant reviews of its loans and advances portfolio and an on-going review of treasury related risk, which allows it to manage these risks.

Funding Risk

The HFA raises funding with the support of a Guarantee from the Minister of Finance, largely through the NTMA, local authorities and international agencies such as the European Investment Bank and the Council of Europe Development Bank. Marginal funding is raised via the NTMA using the Guaranteed Note Programme under an agreed pricing arrangement as approved by the Board.

Liquidity Risk

Liquidity Risk is the risk that the HFA will encounter difficulty in meeting its obligations from its financial liabilities. The HFA currently meets its liquidity requirements using floating rate notes held by the National Treasury Management Agency and which the Minister of Finance guarantees. In managing liquidity risk, HFA management hold regular meetings with the NTMA, the Banks, AHBs and other market participants to assess future loan demand and funding requirements; agree access to funding sources; explore alternative funding sources and structures; negotiate terms and conditions and obtain the necessary funding commitments.

Interest Rate Risk

In the context of the HFA's Balance Sheet, interest rate risk arises where a move in interest rates gives rise to a change in the cost of existing funding, which is not offset by a corresponding change in the income earned from existing loans, leading to a positive or negative impact on current and future profitability. To measure this risk, HFA management has developed an Interest Rate Risk (IRR) model, which calculates the outstanding IRR exposure on an annual basis, (the annual gap), for all fixed rate liabilities and assets, up until their re-pricing date. The IRR model is reviewed at Board level on a quarterly basis.

Other Risks

Other major risks affecting the HFA's strategy are:

- **LA Lending** – The HFA's strategy forecasts that local authorities will fund c. 4,150 homes through the HFA with new finance of €1.45bn, as was agreed with both the Departments of Housing, Local Government and Heritage, and Public Expenditure and Reform. It is not yet clear if this is still the likely outcome, and LAs may seek grant funding for the building of social housing and finance other housing-related activity with the HFA.
- **AHB default** – Although mitigated with robust credit assessments, continuity agreements and appropriate security of assets, there remains a risk of AHB default. There is also a risk of the capacity for borrowing by AHBs declining because of increased gearing. The Board of the HFA adopted a Credit Policy regarding lending to AHBs in 2013 which is regularly updated, most recently in May 2022.

As a result of a report from the Internal Audit Unit, Local Government HR Section, there are two additional requirements on the HFA, whereby it will:

- immediately notify the Department in the event of a failure of internal controls; and
- immediately notify the Department in the event of detection of fraud and/or irregularities.

5. Flexibility and Amendment of Targets

Where amendments become necessary, both parties will engage to agree on amended targets.

6. Monitoring Arrangements

The HFA will meet with the Department twice yearly, or more frequently if required by the Department to provide an update on development and achievement of targets as set out in this Agreement.

The HFA undertakes to return:

- (a) Relevant and appropriately detailed performance information to allow for monitoring of this Agreement;
- (b) Relevant and appropriately detailed performance information for inclusion in the Revised Estimate for Public Services volume; and
- (c) Performance information in line with the set of such indicators and in keeping with the timeframe agreed with the Department.

7. **Duration and Signatories to the Agreement**

Barry O’Leary, Chief Executive Officer, The Housing Finance Agency and Feargal Ó Coighligh, Assistant Secretary, Department of Housing, Local Government and Heritage agree that the arrangements as set out in this Agreement will apply with effect from the date signed hereunder until 31 December 2024.



Barry O’Leary
Chief Executive Officer
Housing Finance Agency PLC

Date: 08 February 2023



Feargal Ó Coighligh
Assistant Secretary
Department of Housing, Local Government
and Heritage

Date: 16 February 2023