Parliamentary
Budget Office

ECR-2025-2862

Housing Infrastructure Program	
Party:	The Coalition
Summary of proposal: The proposal would provide $5 billion of capped funding for a time-limited Housing Infrastructure Programme (HIP) to deliver housing-enabling infrastructure, like water, power, sewerage and roads. The $5 billion capped funding would be delivered through a mixture of grants and concessional loans. The funding would be offered on a 'use it or lose it' basis – if there is no progress on successful projects within 12 months of contracting, then the funding would be terminated. A target of 30% of the $5 billion in funding will be for enabling infrastructure to unlock new housing in rural and regional Australia. The proposal would start on 1 July 2025.	
Additional specifications (based on further advice provided): The mix of grants to loans would be 55:45 in each year. Contracts for the full $5 billion would be struck over 4 years. As actual disbursement of funds would be subject to project milestones being reached, the first year would see a half year of payments and loans disbursed, with a corresponding remaining half year of payments occurring in the 5th year. The concessional loans would be issued under the same terms as existing arrangements under the National Housing Infrastructure Facility Critical Infrastructure (NHIF CI) program. Departmental funding is in addition to the capped amount.	

Costing overview

Over the 2025-26 Budget forward estimates period (see Table 1), the proposal would be expected to:

- decrease the fiscal balance by around $2.6 billion
- decrease the underlying cash balance by around $2.5 billion
- decrease the headline cash balance by around $3.5 billion

These impacts reflect increases in administered and departmental expenses associated with issuing grants and concessional loans.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

Consistent with PBO Guidance 02/2015, public debt interest (PDI) expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of loan interest and principal repayments. While the grant funding amounts appear in all budget balances, only the fiscal balance reflects the impact of the loans being provided on a concessional basis, which is included as a concessional loan discount expense with associated unwinding income. Only the headline cash balance includes transactions related to loan principal amounts. A note on the accounting treatment of concessional loans is included at Attachment B.

The Parliamentary Budget Office (PBO) has not made any assessment as to whether the specified funding would be sufficient to meet the objectives of the proposal.

Table 1: Housing Infrastructure Program – Financial implications ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-372.1	-734.1	-749.3	-772.3	**-2,627.8**
Underlying cash balance	-353.7	-698.6	-719.2	-746.6	**-2,518.1**
Headline cash balance	-569.0	-1,064.1	-962.7	-920.1	**-3,515.9**

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

Uncertainty

The financial implications of the concessional loan component of this proposal are uncertain due to a range of factors, including:

- The overall credit risk profile of applicants and value of debts not expected to be repaid (DNER)
- The number and value of applications for the proposed loans
- The applicable loan and comparative market interest rates.

Housing Australia advised that the loan rates and periods for the NHIF CI concessional loans are customised depending on each applicant. The NHIF CI concessional loans have periods ranging from 2 to 15 years, and the interest rates are generally determined by pricing off the Australian Commonwealth bond yields to an equivalent period of each facility, plus a margin. The margins are not standard and vary dependent on the deal, but the range across existing loans is approximately 1.2% to 2.9%, with a weighted average across all loans of 1.57%.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- There would be sufficient demand for the total grant and loan funding, with all funding offered being taken up.
  - We assume that no funds allocated to a given year are left unspent.
- The credit risk profile of the proposed concessional loans is such that the proportion of DNER is assumed to be 1%.
  - This is informed by Australian Institute of Credit Management published data on insolvencies.
- The distribution of loans across different periods would follow the proportion of loans across different periods for existing NHIF CI concessional loans, as specified.
- 100% of projects would progress within 12 months of contracting.

- There would not be any significant changes in the overall credit risk of the proposed concessional loans over the life of the loans.
- The applicable loan and market interest rates would be constant over the forward estimates, in line with Australian Government bond rate projections.
  - The market interest rate would be around 8.3%, informed by data on interest rates for commercial property loans.
- Repayment of the initial principal would be evenly spread over the loan term.

Methodology

The financial implications were calculated in accordance with the accounting framework for concessional loans, as set out by the Department of Finance. The key inputs into the model were the total value of loans issued, the period of the loans, the applicable loan interest rate comprising the relevant bond rate and margin, and the market interest rate. Flow-on impacts of loan issuance were then calculated on concessional loan discounts, their unwinding and the associated interest accrual and repayments.

The grant funding and loan issuances were capped at fixed amounts, distributed over the specified years from the commencement date.

Departmental expenses for administering the grants and concessional loans were estimated based on the costs of administering similar programs and are in addition to the capped funding amounts.

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Data sources

Australian Institute of Credit Management (2024) *Insolvencies remain high in construction*, accessed 20 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

Housing Australia provided information on the NHIF CI as at 19 March 2025.

Smart Search Finance (2025) *Today's Interest Rates*, accessed 20 May 2025.

[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Housing Infrastructure Program – Financial implications

Table A1: Housing Infrastructure Program – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered non-tax													
Loan interest accrued	*16.3*	*45.1*	*66.5*	*81.1*	*75.4*	*55.5*	*41.7*	*33.8*	*29.0*	*24.9*	*21.0*	***209.0***	***490.3***
Unwinding concessional loan discount	*6.0*	*16.4*	*23.8*	*28.2*	*24.7*	*16.5*	*11.0*	*8.4*	*7.2*	*6.3*	*5.4*	***74.4***	***153.9***
Total – revenue	**22.3**	**61.5**	**90.3**	**109.3**	**100.1**	**72.0**	**52.7**	**42.2**	**36.2**	**31.2**	**26.4**	**283.4**	**644.2**
Expenses													
Administered													
Grants	*-343.8*	*-687.5*	*-687.5*	*-687.5*	*-343.7*	-	-	-	-	-	-	***-2,406.3***	***-2,750.0***
Concessional loan discount expense	*-21.4*	*-42.9*	*-42.9*	*-42.9*	*-20.7*	-	-	-	-	-	-	***-150.1***	***-170.8***
Total – administered	***-365.2***	***-730.4***	***-730.4***	***-730.4***	***-364.4***	-	-	-	-	-	-	***-2,556.4***	***-2,920.8***
Departmental													
Housing Australia	*-17.2*	*-17.2*	*-17.2*	*-17.2*	*-8.6*	-	-	-	-	-	-	***-68.8***	***-77.4***
Total – departmental	***-17.2***	***-17.2***	***-17.2***	***-17.2***	***-8.6***	-	-	-	-	-	-	***-68.8***	***-77.4***
Total – expenses	**-382.4**	**-747.6**	**-747.6**	**-747.6**	**-373.0**	-	-	-	-	-	-	**-2,625.2**	**-2,998.2**
Total (excluding PDI)	**-360.1**	**-686.1**	**-657.3**	**-638.3**	**-272.9**	**72.0**	**52.7**	**42.2**	**36.2**	**31.2**	**26.4**	**-2,341.8**	**-2,354.0**
PDI impacts	***-12.0***	***-48.0***	***-92.0***	***-134.0***	***-162.0***	***-167.0***	***-164.0***	***-165.0***	***-168.0***	***-171.0***	***-176.0***	***-286.0***	***-1,459.0***
Total (including PDI)	**-372.1**	**-734.1**	**-749.3**	**-772.3**	**-434.9**	**-95.0**	**-111.3**	**-122.8**	**-131.8**	**-139.8**	**-149.6**	**-2,627.8**	**-3,813.0**

(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.

\- Indicates nil.

Table A2: Housing Infrastructure Program – Underlying cash balance ($m)(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Loan interest received	*16.3*	*45.1*	*66.5*	*81.1*	*75.4*	*55.5*	*41.7*	*33.8*	*29.0*	*24.9*	*21.0*	***209.0***	***490.3***
Total – receipts	**16.3**	**45.1**	**66.5**	**81.1**	**75.4**	**55.5**	**41.7**	**33.8**	**29.0**	**24.9**	**21.0**	**209.0**	**490.3**
Payments													
Administered													
Grants	*-343.8*	*-687.5*	*-687.5*	*-687.5*	*-343.7*	*-*	*-*	*-*	*-*	*-*	*-*	***-2,406.3***	***-2,750.0***
Total – administered	***-343.8***	***-687.5***	***-687.5***	***-687.5***	***-343.7***	***-***	***-***	***-***	***-***	***-***	***-***	***-2,406.3***	***-2,750.0***
Departmental													
Housing Australia	*-17.2*	*-17.2*	*-17.2*	*-17.2*	*-8.6*	*-*	*-*	*-*	*-*	*-*	*-*	***-68.8***	***-77.4***
Total – departmental	***-17.2***	***-17.2***	***-17.2***	***-17.2***	***-8.6***	***-***	***-***	***-***	***-***	***-***	***-***	***-68.8***	***-77.4***
Total – payments	**-361.0**	**-704.7**	**-704.7**	**-704.7**	**-352.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-2,475.1**	**-2,827.4**
Total (excluding PDI)	**-344.7**	**-659.6**	**-638.2**	**-623.6**	**-276.9**	**55.5**	**41.7**	**33.8**	**29.0**	**24.9**	**21.0**	**-2,266.1**	**-2,337.1**
PDI impacts	***-9.0***	***-39.0***	***-81.0***	***-123.0***	***-155.0***	***-166.0***	***-165.0***	***-165.0***	***-167.0***	***-171.0***	***-175.0***	***-252.0***	***-1,416.0***
Total (including PDI)	**-353.7**	**-698.6**	**-719.2**	**-746.6**	**-431.9**	**-110.5**	**-123.3**	**-131.2**	**-138.0**	**-146.1**	**-154.0**	**-2,518.1**	**-3,753.1**

(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.

\- Indicates nil.

Table A3: Housing Infrastructure Program – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Loan repayments	*66.0*	*197.0*	*319.0*	*389.0*	*350.0*	*240.0*	*132.0*	*77.0*	*66.0*	*60.0*	*59.0*	***971.0***	***1,955.0***
Loan interest received	*16.3*	*45.1*	*66.5*	*81.1*	*75.4*	*55.5*	*41.7*	*33.8*	*29.0*	*24.9*	*21.0*	***209.0***	***490.3***
Total – receipts	**82.3**	**242.1**	**385.5**	**470.1**	**425.4**	**295.5**	**173.7**	**110.8**	**95.0**	**84.9**	**80.0**	**1,180.0**	**2,445.3**
Payments													
Administered													
Grants	*-343.8*	*-687.5*	*-687.5*	*-687.5*	*-343.7*	-	-	-	-	-	-	***-2,406.3***	***-2,750.0***
New loans	*-281.3*	*-562.5*	*-562.5*	*-562.5*	*-281.2*	-	-	-	-	-	-	***-1,968.8***	***-2,250.0***
Total – administered	***-625.1***	***-1,250.0***	***-1,250.0***	***-1,250.0***	***-624.9***	-	-	-	-	-	-	***-4,375.1***	***-5,000.0***
Departmental													
Housing Australia	*-17.2*	*-17.2*	*-17.2*	*-17.2*	*-8.6*	-	-	-	-	-	-	***-68.8***	***-77.4***
Total – departmental	***-17.2***	***-17.2***	***-17.2***	***-17.2***	***-8.6***	-	-	-	-	-	-	***-68.8***	***-77.4***
Total – payments	**-642.3**	**-1,267.2**	**-1,267.2**	**-1,267.2**	**-633.5**	-	-	-	-	-	-	**-4,443.9**	**-5,077.4**
Total (excluding PDI)	**-560.0**	**-1,025.1**	**-881.7**	**-797.1**	**-208.1**	**295.5**	**173.7**	**110.8**	**95.0**	**84.9**	**80.0**	**-3,263.9**	**-2,632.1**
PDI impacts	***-9.0***	***-39.0***	***-81.0***	***-123.0***	***-155.0***	***-166.0***	***-165.0***	***-165.0***	***-167.0***	***-171.0***	***-175.0***	***-252.0***	***-1,416.0***
Total (including PDI)	**-569.0**	**-1,064.1**	**-962.7**	**-920.1**	**-363.1**	**129.5**	**8.7**	**-54.2**	**-72.0**	**-86.1**	**-95.0**	**-3,515.9**	**-4,048.1**

(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.

\- Indicates nil.

Attachment B - Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance (UCB) only captures actual flows of interest related to the loans. The headline cash balance (HCB) captures actual flows of principal as well as interest. The fiscal balance (FB) captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[3] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

The UCB and HCB do not capture the impact on net worth of loans that are not expected to be repaid. Where debt is forgiven and this is communicated to the borrower, the write-off is considered to be a transaction and included in the FB. Where the borrower still has an obligation to repay, but the Government makes an assessment that a portion of loans are not expected to be repaid, this is classified as a unilateral write-down. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth, but not in the FB, UCB or HCB.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur. An assessment by the Government that a loan (apart from HELP loans) will not be fully repaid is an 'other economic flow', not included in the FB.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[3] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.