The Hon Rob Lucas MLC

Government of South Australia

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TRS19D1358

Hon Stephen Mullighan MP
Member for Lee
Unit 1, 62 Semaphore Road
SEMAPHORE SA 5019

lee@parliament.sa.gov.au

Stephen
Dear ~~Mr~~ Mullighan

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 21 May 2019.

Your application seeks access to:

> *"All minutes, briefings and correspondence titled 'HomeStart Finance Board Meeting – October 2018' as described on the Objective document management system, between 12 July 2018 and 21 May 2019."*

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. I refer to my letter dated 26 May 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you access in part to 1 document; a copy of which is enclosed.

Documents released in part

This document is released in part. Contained in the meeting papers are a number of separate papers.

Sections of the document have been redacted because they contain specific information of the demographic profile of HomeStart's customer base. The provision of this information has the potential to impact HomeStart's business by providing a competitive advantage to other financial institutions.

In addition, detailed sensitive financial information about HomeStart's future financial estimates and projections over the forward estimates have been redacted.

I have determined to exempt this information pursuant to clause 15(a)(b) and clause 16(1)(iv).

Details provided in the Potential Current Shortfall Report have been redacted as it contains a list of properties which have been realised and awaiting sale. If disclosed, this could in turn enable the identification of individuals.

The document also contains sensitive information specific to property write-offs and contains specific information that would allow the identification of certain properties which in turn could allow the identification of individuals.

Information relating to specific properties have been redacted, as if disclosed, could identify individuals.

Sections containing specific information providing the identification of certain HomeStart employees have also been redacted.

I have determined to exempt this information pursuant to clause 6(1).

Exemptions

Clause 6 – Documents affecting personal affairs

A document is an exempt document if it contains matter the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person.

Clause 15 – Financial and property interests

A document is an exempt document if it contains matter the disclosure of which—

(a) could reasonably be expected to have a substantial adverse effect on the financial or property interests of the State or an agency.
(b) would, on balance, be contrary to the public interest.

Clause 16 – Agency operations

(1) A document is an exempt document if it contains matter the disclosure of which—

(a) could reasonably be expected—
(iv) to have a substantial adverse effect on the effective performance by an agency of the agency's functions.

(2) A document is an exempt document if—

(a) it relates to an agency engaged in commercial activities; and
(b) it contains matter the disclosure of which could prejudice the competitiveness of the agency in carrying on those commercial activities.

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991.*

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on 8226 9769.

Yours sincerely

Rob Lucas

Hon Rob Lucas MLC
Principal Officer

15 December 2019

RELEASE IN PART

MINISTER'S OFFICE
Rec'd 18/10/18
MINUTES forming ENCLOSURE to 1062
Physical ID: TRS18D2063

Government of South Australia

HomeStart FINANCE

Critical Deadline	
Routine	

TO: **HON ROB LUCAS, TREASURER – HSM1810.3**

RE: **HOMESTART FINANCE BOARD MEETING – OCTOBER 2018**

Monthly reports – September 2018

- Total Settlements (including Home Equity and Redraw) were $36.7 million.
- Discharges were 128 loans worth $23.4 million.
- YTD profit before tax was $5.85 million.
- Capital adequacy was 13.6%.
- Return on Equity was 14.1%.

2018-19 Operating Outlook
Board approved the paper.

Risk Appetite Quarterly Update
Board noted the paper.

Realisations – September 2018
Board noted the write-offs.

Strategic Scorecard Review
Board noted the paper.

Head of Strategic Development Update
Board noted the paper.

John Oliver
CHIEF EXECUTIVE
HomeStart Finance

17/10/2018

Government of South Australia

HomeStart FINANCE

NOTED/APPROVED/NOT APPROVED

HON ROB LUCAS MP
TREASURER

/ /20

CONTACT	John Oliver	2nd CONTACT		AUTHOR:	
POSITION	CEO	POSITION		POSITION	
DIVISION	HomeStart Finance	DIVISION		DIVISION	
PHONE/MOBILE	8203-4700	PHONE/MOBILE		PHONE/MOBILE	

HomeStart Finance

BOARD MEETING

1:00pm Tuesday 16 October 2018

1810

HOMESTART BOARD

The meeting to be held at 1.00pm on Tuesday, 16 October 2018 in the HomeStart Finance Boardroom, Level 5, 169 Pirie Street, Adelaide

AGENDA

Welcome and apologies

Conflicts of interest

Minutes of previous meeting
- 18th September 2018
- Action List

Minutes of previous Committee meetings
- ALCO Committee minutes; 18th September 2018
- HomeStart Economic Overview

1810.1 CEO Report – September 2018

Papers/Presentations

Approval:
1810.2 2018-19 Operating Outlook

Noting:
1810.3 Risk Appetite Quarterly Update
1810.4 Realisations – September 2018
1810.5 Strategic Scorecard Review
1810.6 Head of Strategic Development Update (Andrew Mills)

2.00pm Finance Industry & Banking Royal Commission Update - Heather Baister, Deloitte

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Distribution:

Board:	Jim Kouts, Chair Chris Ward, Deputy Chair Carmel Zollo, member Cathie King, member	Sue Edwards, member Darryl Royans, member Shanti Berggren, member
External:	Hon Stephan Knoll, Minister for Transport, Infrastructure and Local Government Tammie Pribanic, Treasurer's Representative	
Internal:	John Oliver Deb Dickson Kay Lindley Tricia Margrie – Minutes	Andrew Mills David Hughes Maree McAuley

Government of South Australia HomeStart FINANCE

Minutes of Board Meeting held on Tuesday, 18 September 2018
in the HomeStart Boardroom, Level 5, 169 Pirie Street, Adelaide

PRESENT	Jim Kouts (Chair) Sue Edwards Chris Ward . Darryl Royans Carmel Zollo Shanti Berggren (via video conference) Cathie King
ATTENDEES	John Oliver Adam Pamula Tricia Margrie (minutes)

The Chair opened the meeting at 1.00pm.

CONFLICTS OF INTEREST

Nil.

CHAIR UPDATE

The Chair noted that the State Budget was handed down on 4 September 2018 and there was no material impact for HomeStart. The Minister has confirmed he will visit the HomeStart office and meet the Board at its November 2018 meeting.

The CEO KPIs for 2018-19 have been finalised and Hender Consulting will be engaged to undertake a market CEO salary review in line with contract undertakings.

The Chair recently met with the new Chair of the Wyatt Trust, David Minns. The organisation is currently implementing changes to its investment parameters; opportunities for HomeStart to work with the Wyatt Trust will continue into the future.

John Oliver confirmed the HomeStart's Borrowing Limit increase request is currently being considered by the Treasurer who has requested additional information. Board noted the current tightening up by the banks is not only increasing the number of customers coming to HomeStart, but decreasing the number of discharges.

MINUTES OF PREVIOUS MEETINGS

The minutes of the Board meeting held on 21 August 2018 were confirmed as an accurate record.

The minutes of the Asset and Liability (ALCO) Committee meeting held on 21 August 2018 were noted. Chris Ward provided an update on the latest ALCO meeting including;

- Economic update;
  - The RBA left interest rates on hold for another month, which is now two years without change
  - Banks are tightening credit standards in light of the Banking Royal Commission with the level of loan scrutiny increasing
  - Consumer spending remains high
  - South Australia's unemployment rate increased marginally to 5.7%
  - Australia's population growth was 1.7% compared to South Australia which was 0.6%, however Adelaide's growth was the same as that of the national growth
- ALCO approved an increase in the Standard Variable Rate of 15bp effective 24 September 2018 and aside from an interstate online report and a small reference in the Financial Review, no feedback has been received

- The Stress Testing paper was noted; this is an outcome of the Moelis review. A broader spread of testing variables will be used for the next stress test
- Arrears continue to perform well

ACTION LIST

No items were due.

MONTHLY REPORTS

1809.1 CEO Report – August 2018

John Oliver spoke to the following matters;

- Settlements for the past two months have totalled over $40m per month, which equates to $18m more year on year and $14m in portfolio growth
- The market has tightened up, reflecting in a stronger quality of loan application
- Timing issues are reflected in the P&L in part due to the delay in receiving approval for the Communications Plan which has now been approved and advertising in the media has recommenced
- Discharges and arrears remain low, however the seasonal impact of the Adelaide Show is yet to be felt
- The new IS reports include the number of 'undesirable emails stopped' (SPAM) per month coming into the organisation; the last six month average is 15,000 per month
- Employees raised $1,000 during the Farmers Flannie Friday fundraising event held to raise money for drought stricken farmers, HomeStart donated another $2,000 to the Buy a Bale campaign
- HomeStart has contributed to a housing report being prepared by the Office of the State Co-ordinator General at the request of the Premier relating to potential interventions and strategies for housing affordability in SA. [redacted]
- HomeStart was named the Employer of Choice (Public Sector & NFP) at the Australian HR Awards on 7 September 2018; there were eight finalists in the category out of hundreds of nominations

Board noted the monthly reports.

Papers/Presentations

Approval

David Hughes joined the meeting at 1.52pm

1809.2 **2017-18 Financial Statements**

David Hughes informed the Board that current HomeStart business is strong due to the banks tightening their lending criteria and HomeStart's strategic marketing campaign in place. The business continued to focus on delivering on its operating parameters.

Audit of the financial statements has been completed and there has not been any changes.

Board approved the financial statements and signing of the Management Representation letter to the Auditor-General's Department.

Noting

1809.3 **2017-18 Annual Report**

John Oliver spoke to the Annual Report noting a brief reference to the breach of compliance training will be included. The Minister has indicated his willingness to table the annual report in Parliament as soon as practicable rather than the previous approach adopted which saw the tabling delayed until December.

Board noted the paper.

1809.4 **Realisations – August 2018**

Board noted the write-off.

1809.5 **Information Services Update**

Duncan Holt joined the meeting at 2.09pm.

Duncan Holt provided an update to the Board. Points to note included;

- IS team
  - The new consolidated team is motivated and up-skilling training is being completed where required
  - 33 capability and maintenance projects are on the calendar for 2018-19
  - Many of the Year 1 objectives associated with the IS Strategic Plan and shared with Board in February this year are well underway or have been completed.
- Governance
  - There has been an improvement in governance maturity within the organisation regarding project process and documentation
  - A refreshed disaster recovery plan is now in place which has been tested, documented and regular testing schedule established
- Electronic Document Record Management System (EDRMS)
  - The procurement process is now complete and a vendor recommendation has been made to the Executive
  - This is a considerable project that will affect all employees
- Cyber Security

- The highest threat is considered to be employees via social engineering and phishing; testing and mandatory training is in place
- Security profile (active intrusion detection) improvements will also be made

Board noted the paper.

Duncan Holt left the meeting at 2.47pm.

OTHER BUSINESS

The Chair asked Board members for suggestions of guest speakers that can be added to the 2019 Board calendar.

The Chair closed the meeting at 2.49pm.

NEXT MEETING

The date of the next Board meeting is Tuesday, 16 October 2018, commencing at 1.00pm, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

JIM KOUTS
CHAIR
HOMESTART FINANCE

/ / 20

Board action list

16/10/2018

	Action Required	Date Raised	Completion Date	Person Responsible	Status
1808.1	Shared Equity update	21/08/2018	October 2018	Andrew Mills	Pending
1802.6	SA Water / Council rates and realisations discussion with Minister	21/02/2018	February 2019	Jim Kouts	Pending

Minutes of Asset & Liability Committee Meeting held on Tuesday, 18 September 2018 in the HomeStart Boardroom, Level 5, 169 Pirie Street, Adelaide

PRESENT	Chris Ward (Chair) Darryl Royans Carmel Zollo John Oliver David Hughes
ATTENDEES	Deb Dickson Leon Watkins Andrew Kennedy (SAFA) Don Munro (SAFA) Tricia Margrie (minutes)

The Chair opened the meeting at 9.00am.

CONFLICTS OF INTEREST

Nil.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 21 August 2018 were confirmed as an accurate record.

ACTION LIST

No items were due.

ECONOMIC UPDATE

David Hughes spoke to the circulated document "Economic Update – September 2018" and provided a general economic update. Points to note included;

- David Hughes attended a Westpac breakfast last Thursday with guest speaker Bill Evans; who believes the RBA will keep the cash rate on hold until 2020 due to a combination of the US dollar putting pressure on the Australian dollar and consumer spending remaining high
- Wholesale rates remain high, however have stabilized
- The South Australian housing marketing remains steady, however the concern remains consumer spending that has outpaced income growth for many years now
- In trend terms, the South Australian unemployment rate increased marginally from 5.6% to 5.7%, still a marked improvement on last year's 6.0%
- Whilst Australia's population growth of 1.7% is very strong compared to other developed economies, South Australia remains very low at 0.6%

SAFA UPDATE

Andrew Kennedy provided an update on market conditions. Points to note included;

- Andrew noted that Adelaide's population growth is 1.7%, in part due to immigrants who remain in regional centres for the minimum required time, then move to cities (primarily Melbourne and Sydney)

- Following the release of the State Budget on 4 September, SAFA have updated their portfolio to accommodate the Government's $1.4b future infrastructure spending program; SAFA accessed markets in September and will do so again in November 2018, February and May 2019
- Markets are very busy with $1.7b corporate supply of funds since 1 August 2018; there is also a strong current interest in paper, the government is now offering bonds to 2050
- Geopolitical volatility continues to be the biggest economic concern; the American President is due to announce a 10% tax on $10b worth of China imports shortly
- There is a tightening of liquidity markets globally

1809.1 Standard Variable Loan Interest Rate Increase

The paper was circulated via email to the ALCO Committee on 6 September 2018.

ALCO approved the paper via circular resolution.

1809.2 Standard Variable Rate Effective Date

Following approval of the increase to the standard variable rate and during the preparation for implementation, it was determined that a more appropriate effective date would be 24 September 2018, not 25 September as indicated in the paper. As a result, all public communication has been prepared with the effective date of 24 September 2018.

ALCO approved the effective date of 24 September 21018 for the increase to the Standard Rate.

1809.3 Treasury Reports – August 2018

Leon Watkins spoke to the paper. Points to note included;

- Margins are still well below the levels of early this calendar year, however the increase to the variable rate will improve margins
- The level of debt refinancing over the next twelve months increased to 30% with the August 2019 maturity now within twelve months
- Based on the operating outlook, net borrowing of $175m is required over the next twelve months, and in addition, pre commitments may see the current borrowing limit exceeded earlier than this

ALCO noted the report.

1809.4 Asset Quality Reports – August 2018

Leon Watkins spoke to the paper. Points to note included;

- Write-offs have been volatile with the effect of the high volume for July being offset in August which had only one loan loss; at this stage September is expected to also be below average
- Arrears continue to improve, however seasonal influences are expected to have an impact in September
- Five new potential shortfalls were added for August totalling $321,509 net
- The new shortfall reports were noted, additional information will be included next month

ALCO noted the report.

1809.5 Arrears Analysis Report

Leon Watkins spoke to the paper. Points to note included;

- Broker loans are showing better arrears outcomes overall compared to the benchmarks
- Some results for older loans have been much higher but these are on low volumes and therefore have greater volatility but low significance in terms of the overall portfolio

- While arrears have been higher for Low Deposit and Nunga, this has been more than offset by lower arrears for Graduate loans
- For loans by purpose, construction loans (over the last 5 years) and refinance loans have performed better than established loans.

ALCO noted the report.

1809.6 Stress Testing (Loan by Loan) as at June 2018

David Hughes spoke to the paper. Points to note included;

- Using data warehouse reports, we stress our existing portfolio using a number of variables, namely interest rate, CPI and property growth, against a control group; these variables are the key drivers for potential capitalization and LVR greater than 100%
- Scenario 3 – Interest rate up by 3%, CPI up by 2% and property price up by 1% is considered to be an unlikely set of market conditions
- A broader spread of testing variables i.e. average loan value, will be used for the next stress test

ALCO noted the report.

1809.7 Economic Update – GDP & State Final Demand

The paper was included for information and was taken as read.

ALCO noted the report.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 9.50am.

NEXT MEETING

The date of the next Asset & Liability committee meeting is Tuesday, 16 October 2018, commencing at 9:00am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

CHRIS WARD
CHAIR
HOMESTART FINANCE

/ /20

Board paper

HomeStart FINANCE

Agenda Item: 1810.1

Topic:	CEO Report
From:	David Hughes
Date:	16/10/2018
Status:	Noting

1. Recommendation

That the Board notes the monthly report for September 2018.

David Hughes
Chief Financial Officer

John Oliver
CEO

HomeStart FINANCE

Government of South Australia

Board Report Index
September 2018

1810.1

Government of South Australia

HomeStart FINANCE

Executive Summary September 2018

Key Points

- September delivered another strong profit result of $1.7m against a target of $1.3m which brings our YTD profit to $5.85m against our target YTD of $4.07m. Again positive credit performance has delivered a $0.2m gain this month in provisions whilst net interest margin is also positive, up by $0.2m due to higher interest income, together with some slight reduction in borrowing costs. Some over target result will reverse in future months as expenses catch up.
- ROE for September is at 14.1% again artificially high due to the profit result but also assisted by a reduction in equity following the special dividend paid in June. ROE however remains well above our target of 9%. Capital Adequacy remains at 13.6%, also well ahead of the required 12.0%.
- September's settlements of $36.7m, below target ($45.5m) reflects a softening in construction, particularly graduate construction and generally quieter conditions. Strong activity during July and August still has us in line with targets for the first quarter with total settlements of $120.1m against our target of $120.7m. The number of loans for the quarter of 429 new loans is ahead of target (406) however the average loan value of $280k per loan is below our target of $300k. Whilst down slightly on prior months, Graduate lending still represents 45% by value of new lending and 36% by number.
- Discharges of $23.4m on 128 loans for September was higher than previous months and on target ($23.9m). For the quarter however discharges of $62.0m is below target ($72.8m) still reflecting the difficulty in our customers refinancing to a major lender. Last year at this time, we had recorded discharges of $60.8m, however on 353 loans (average value $172k) whereas this year we have discharged 373 loans at an average value of $165k. This reduction supports the increase in average loan term and customers requiring more equity before refinancing out. Further analysis on discharges will be performed over coming months.
- Our gross portfolio again grew across September by $9.2m to $2,140.5m, an increase of $169m since September last year. Our total borrowings have again risen to $1,934m following the strong settlements over discharges and is now within 8.1% of our current limit of $2,105m. In addition, we already have $80m in pre-approvals. We await approval of the increase in our funding limit.
- New business this month is equally split 50/50 between brokers and our internal channel, which now includes the recently integrated BankSA business. We are now processing internally 100% of our business with this increased volume placing pressure on our internal teams. Focus is on the first time capability (29%) and rework, to improve the flow through of new applications.
- Fixed rate business has slowed following recent increases in rates, however we still booked an additional $4.0m (13 loans) in September. Our fixed rate book remains reasonably steady at $205m (10% of our Primary loans), however with new fixed rate business priced higher, returns from this portfolio are returning to parity with variable rate loans.
- Net Interest Margin for September has grown to 1.17%, assisted by the quarterly update of fair values on the breakthrough portfolio, higher asset prices (on average) and slight easing in funding costs.
- Arrears levels have improved again across September to finish the month at 1.54% by number and 1.50% by value, which again we believe to be record lows. Whilst these values have improved with a growing portfolio, it is still pleasing to see the numbers of accounts in arrears continuing to drop from 251 in September 2016 to 207 in September 2017 to 188 now (down from 223 at the end of June), a truer indication of progress. We have booked our quarterly adjustment to our collective provision which, whilst an increase, is more than offset by a reduction in the specific provision resulting from accounts returning to full accrual.
- There were 3 new properties added to MIP across September with 4 discharged and contracts in hand for an additional 6, leaving us with 17 unsold properties in MIP. Total bad & doubtful debts expense of $176k is below budget ($393k), most of this expense comes from the quarterly adjustment to collective provision resulting from the increase in the portfolio. YTD, our bad and doubtful debt expense of $40k is substantially below budget of $1.2m reflecting the very positive arrears performance.
- Administration expenses in September of $1.708m is slightly below budget ($1.773m) however includes the impact of the back-pay on the EBA, effective 1 July of $90k, offset by vacancies in some areas and timing of expenses, particularly IS transformation.
- In summary, our first quarter is ahead of target, assisted by reduced bad and doubtful debt expense and some delays in expenses. With net income on target, our year still looks positive and will be enhanced by the recent rate rise in standard variable rate loans.

Operational Dashboard

As at September 2018

FINANCIAL	KPI	30 June 18		YTD Actual		Target
OPERATING PARAMETERS	ROE	11.52%		14.14%	157%	> 9.00% ****
	Pre-Tax Operating Profit ($m)	$18.9		$5.9	144%	$4.1
	Net Interest Margin	1.20%		1.17%	111%	1.05%
	Capital Adequacy	13.70%		13.60%	113%	> 12.00% ****
	Operating Cost : Net Interest Income	53.33%		48.62%	113%	< 55.00% ****
RETURN ON INVESTMENT	YTD Payments to Govt ($m)	$55.0		$9	71%	$12.7
	Payments to Govt as % of Capital	33.58%		5.60%	21%	26.83%
PORTFOLIO ^	Gross Portfolio ($m)	$2,101.8		$2,140.5	99%	$2,147.7 ***
	% Loan Portfolio Growth ($)	8.31%		8.53%	121%	7.06%
ARREARS	All Channels ($)	1.88%		1.51%	192%	2.90%
	All Channels (No.)	1.85%		1.55%	161%	2.50%
CUSTOMER & COMMUNITY	**KPI**	**30 June 17**	**SEP 18**	**YTD Actual**		**Target**
NEW BUSINESS	Lending (No.)	148*	131	429	106%	406
	Settlements inc HELs & Redraws ($m)	$510.1	$36.7	$120.1	99%	$120.7
	% FHB Loans to New Lending (YTD No.)	55.48%		57.58%	115%	50.00%
	% Customers Can't Get Finance	87.38%		86.05%	100%	80.00% - 90.00%
SPECIAL ASSISTANCE	% New (No.) Customers with S.A.	27.37%		27.51%	79%	35.00%
	% Loan Portfolio (No.) with S.A.	28.53%		28.63%	143%	20.00%
DISCHARGES (guide 2)	Discharges ($m) inc. HOME Programs	$20.4*	$23.4	$62.0	85%	$72.8
INTERNAL PROCESS	**KPI**	**30 June 17**	**SEP 18**	**YTD Actual**		**Target**
MARKET SHARE	% All (No.)	4.25%	4.65%	4.38%	109%	4.00%
	% FHB (No.)	19.48%	21.67%	18.68%	156%	12.00%
LOAN PROCESSING	% App Started to Submitted	84.01%		84.44%	121%	70.00%
	% App Submitted to Approval	73.31%		69.50%	87%	80.00%
	% App Approval to Settled	93.09%		91.76%	97%	95.00%
	Last Submitted to Approval (days)^^	0.12	0.11		1,797%	2
	First Time Capability (exc Construction)	35.77% **		29.15%	58%	50.00%
RISK MANAGEMENT	% Channels New Lending 'A' Audit	50.00% **	100.00%		125%	80.00%
	% Channels Arrears 'A' Audit	50.00% **	50.00%		63%	80.00%
LEARNING & GROWTH	**KPI**	**30 June 17**	**SEP 18**	**YTD Actual**		**Target**
WORKFORCE QUALITY	Total Employee Turnover	6.86%	11.21%		134%	15.00%
	Unplanned leave (%)	2.73%	3.27%		122%	4.00%
	Lost Time Injury (days)	0.00 **		0.00	100%	0.00
	% Employee AL > 35 working days	6.00%**	3.70%		135%	<=5.00%
STRATEGY ALIGNMENT	% Employee with Current MyPlan Plans	-	100.00%		100%	100.00%
	Signed Performance Reviews^^^	-	100.00%		100%	100.00%

% Indicator guide : 100% 90 - 99 100% of target

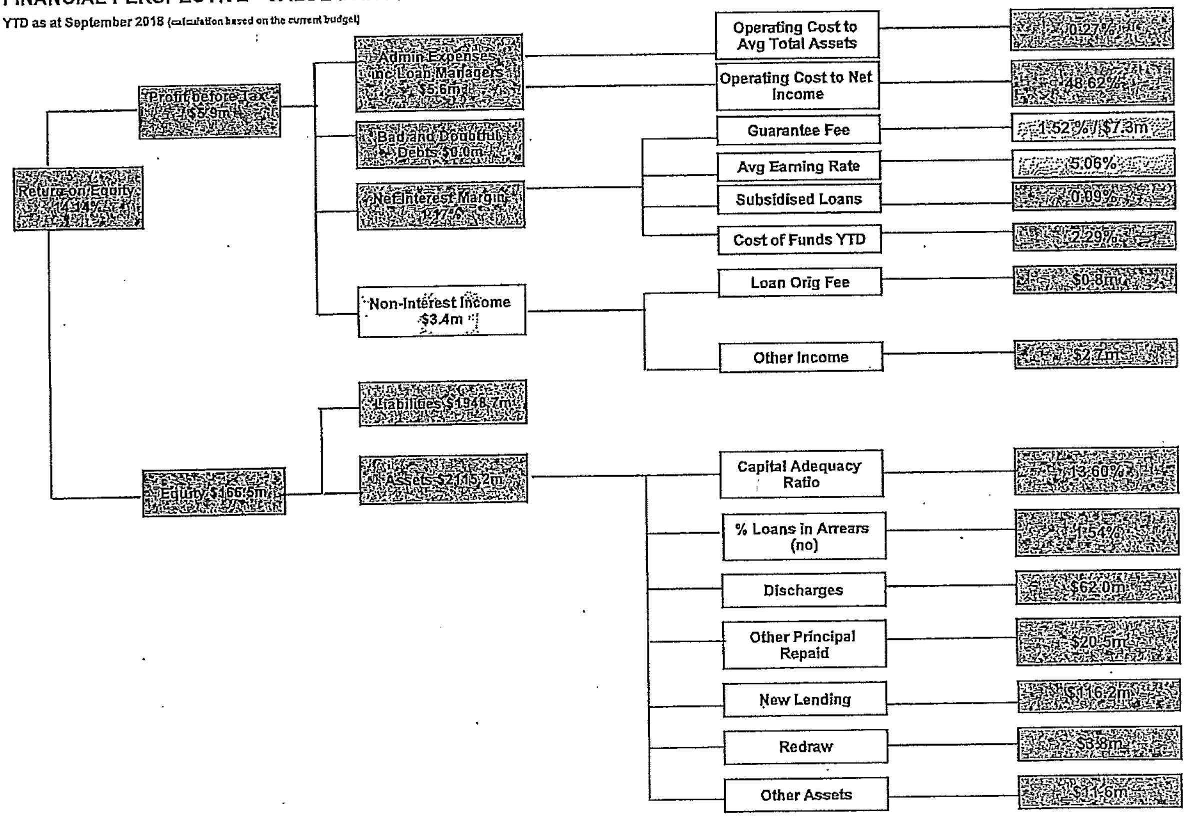
% Indicator guide 2 : 100% 101 - 110 110% of target

* Monthly average previous financial year.
** Last year's actuals.
*** June FY Budget.
**** Government Approved Targets

S.A. loans include: Advantage, Wyatt and EquityStart.
^ Surplus Borrowing Cap measure will show when under $250m.
^^ excludes Community Finance .
^^^ Jul to Dec = EOY reviews, Jan to Jun = MY reviews

FINANCIAL PERSPECTIVE - VALUE DRIVERS

YTD as at September 2018 (calculation based on the current budget)



FINANCIAL PERSPECTIVE - INCOME STATEMENT

As at September 2018

	MTD				YTD				LY YTD	Full Year	
	Actual	Original	Ref.	Var.	Actual	Original	Ref.	Var.	Actual	Original	Ref.
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Gross Interest Margin	4,957	4,783	4,783	174	14,754	14,531	14,531	223	14,453	59,614	59,614
Interest Income	8,516	8,410	8,410	106	25,800	25,577	25,577	223	23,533	105,940	105,940
Interest Expense	3,559	3,627	3,627	68	11,045	11,046	11,046	1	9,081	46,326	46,326
Subsidised Loans Net Fair Value	302	235	235	67	603	705	705	(102)	552	2,845	2,845
Subsidised Loans Effective Interest Income	345	349	349	(4)	1,025	1,046	1,046	(21)	997	4,211	4,211
Subsidised Loans FV Expense (1)	43	114	114	71	422	341	341	(81)	445	1,366	1,366
Government Guarantee Fee	2,402	2,408	2,408	6	7,322	7,326	7,326	5	7,012	30,063	30,063
Govt. Guarantee Fee	2,402	2,408	2,408	6	7,322	7,326	7,326	5	7,012	30,063	30,063
Net Interest Margin	2,857	2,610	2,610	247	8,035	7,909	7,909	126	7,992	32,396	32,396
Add: Other Income	1,133	1,232	1,232	(100)	3,435	3,700	3,700	(265)	3,762	15,190	15,190
RTV Investments											
Loan Origination Revenue Amortisation	257	246	246	11	772	727	727	45	755	3,082	3,082
EquityStart Subsidy (2)	18	70	70	(51)	55	209	209	(154)	216	835	835
Other Loan Administration Fees (3)	232	276	276	(44)	745	841	841	(97)	712	3,272	3,272
Breakthrough Loans Capital Gains	23	57	57	(34)	74	174	174	(100)	388	974	974
Shared Equity Option Loans Capital Gains	7	1	1	6	7	1	1	6		37	37
Sundry	8	6	6	2	19	17	17	1	13	70	70
CSO subsidies and reimbursements	577	577	577	0	1,730	1,730	1,730	0	1,644	6,921	6,921
Bad Debts Recovered	10	0	0	10	33	0	0	33	33	0	0
Total Net Income	3,989	3,842	3,842	147	11,470	11,609	11,609	[illegible]	11,755	47,587	47,587
Loan Managers Payments (4)	365	343	343	(23)	1,056	1,021	1,021	(35)	1,041	3,838	3,836
Trail Commission	137	127	127	(10)	408	376	376	(32)	320	1,857	1,857
Management Fee	100	109	109	10	299	330	330	31	392	618	618
Loan Origination Expense Amortisation	86	82	82	(3)	258	242	242	(16)	255	1,063	1,063
Other Loan Administration Payments	43	19	19	(23)	87	59	59	(28)	60	240	240
Other Loan Managers Payments	0	5	5	4	3	15	15	11	14	60	60
Administration Expenses (5)	1,708	1,773	1,773	65	4,521	5,330	5,330	809	4,593	21,322	21,322
Personnel Expenses	953	886	886	(67)	2,826	2,845	2,845	19	2,831	11,565	11,565
Marketing, Prod Dev, Adv, Spec Proj	249	205	205	(44)	311	410	410	99	285	1,651	1,651
Other	149	274	274	126	388	838	838	450	431	3,355	3,355
Depreciation and Amortisation of Fitouts	97	104	104	6	300	306	306	6	302	1,267	1,267
Office Accommodation	87	86	86	(1)	237	249	249	12	232	1,019	1,019
Information Technology	59	80	80	21	176	224	224	48	171	893	893
Audit Fees	43	27	27	(16)	71	81	81	11	89	327	327
Human Resources and Staff Devt	42	63	63	21	73	202	202	129	78	499	499
Board Fees	20	22	22	2	66	67	67	1	63	269	269
Loan Administration	5	24	24	19	47	81	81	34	70	337	337
Consultants Fee	3	1	1	(3)	28	27	27	0	39	141	141
Bad and Doubtful Debts Expense (6)	176	393	393	217	40	1,191	1,191	1,152	204	4,299	4,299
Doubtful Debts - Collective	279	74	74	(205)	421	217	217	(205)	154	446	446
Bad Debts Written Off	1	0	0	(1)	2	0	0	(2)	8	0	0
Doubtful Debts - Specific	(104)	319	319	423	(383)	975	975	1,358	42	3,853	3,853
Total Expenses	2,250	2,509	2,509	259	5,617	7,543	7,543	1,927	5,838	29,458	29,458
Profit/(Loss) from ordinary activities before related income tax	1,740	1,333	1,333	406	5,853	4,066	4,066	1,787	5,917	18,128	18,128

Individual line item $ amounts may not add up to Totals due to rounding variance +-$1,000
LY = Last Year
Ref. = Reforecast Budget
Var. = Variance between Actual to Reforecast Budget

COMMENTS:

HomeStart's YTD Profit from ordinary activities before related income tax is $1.79 million (44%) over the YTD budget.

Accounts prepared in accordance with AIFRS; refer Board Glossary for specific accounting impact.

Budget Variance Analysis — OVER / (UNDER) $'000

(1) Subsidised Loans Fair Value Expense (81)

YTD Subsidised Loans Fair Value Expense is 23.7% over the budget as a result of the anticipated reduction in the earning rate on subsidised loans in the next financial quarter.

(2) EquityStart Subsidy (154)

YTD EquityStart Subsidy Income is 73.6% under the budget as a result of lower EquityStart settlements for the first financial quarter.

(3) Other Loan Administration Fees (97)

YTD Other Loan Administration Fees Income is 11.5% under the budget due to lower movements in the loan portfolio in the month of September.

(4) Loan Managers Payments (35)

YTD Loan Manager Payments are in line with the budget.

(5) Administration Expenses 809

YTD Administration Expenses are 15.2% under budget due to timing differences between actual expenses incurred and forecasts in particular with IS Projects and contract work and HR staff development expenses.

(6) Bad and Doubtful Debts Expense 1,152

YTD Bad and Doubtful Debts Expense is 96.7% under the budget due to the continued increase in write backs on the Specific Provision.

Note:

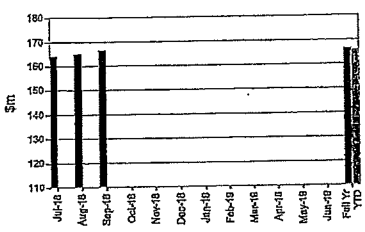
A Breakthrough Loan unrealised loss of $15K and a Shared Equity Option Loan unrealised gain of $7K for the September 2018 quarter was recognised in the accounts this month.

FINANCIAL PERSPECTIVE - BALANCE SHEET

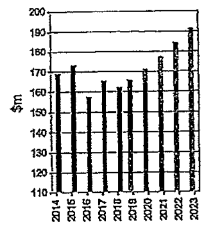
As at September 2018

HomeStart Consolidated Net Assets

Current Year



Years

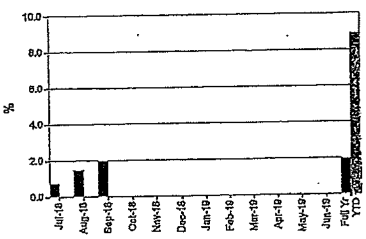


YTD Net Assets have increased by $4.3 million (2.65%) predominantly due to the YTD profit after tax of $4.1 million.

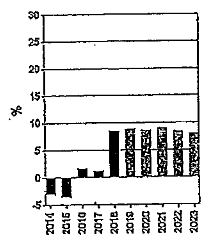
Actual Forecast

HomeStart Consolidated Movement YTD in Total Assets

Current Year



Years



YTD Total Assets have increased by $40.5 million (1.95%) resulting from the continued growth in the gross loan portfolio in particular with the Graduate loans.

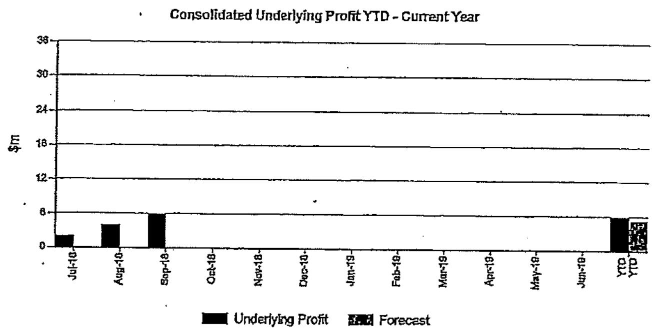
	ACTUAL Sep-18 $ '000	FORECAST Jun-19 $ '000	LAST YEAR Jun-18 $ '000
Funds Employed			
Retained Earnings	156,483	144,690	143,272
Credit Losses Reserve	8,084	8,334	8,084
Derivative Valuation Reserve	(2,175)		(2,377)
Current Years Profit (after tax)	4,097	12,690	13,211
Total Funds Employed	166,489	165,714	162,190
Assets			
Standard Loans	1,976,213	2,121,678	1,936,700
Subsidised Loans	109,495	114,653	108,912
Breakthrough Loans	52,728	49,331	54,226
Shared Equity Option Loans	858	4,587	135
Control Accounts	1,169		1,842
Gross Loan Portfolio	2,140,461	2,290,249	2,101,815
Fair Value Adjustment	(10,995)	(10,624)	(11,018)
Net Deferred Loan Fees	(6,823)	(7,192)	(6,591)
Total Loans (After AIFRS adjustments)	2,122,643	2,272,432	2,084,206
Provision for Impairment - Specific	(6,693)	(9,242)	(7,601)
Provision for Impairment - Collective	(10,391)	(10,046)	(9,970)
Impaired Loans Unearned Income	(2,039)	(2,557)	(2,213)
Net Portfolio	2,103,520	2,250,587	2,064,522
Derivatives	0		
Other Assets	11,640	8,902	10,152
Total Assets	2,115,160	2,259,489	2,074,674
Less: Liabilities			
Borrowings	1,934,358	2,075,745	1,897,797
Tax Liability	3,209		2,907
Derivatives	2,175		2,377
Other Liabilities	8,929	18,030	9,404
Total Liabilities	1,948,671	2,093,775	1,912,484
Net Assets	166,489	165,714	162,190

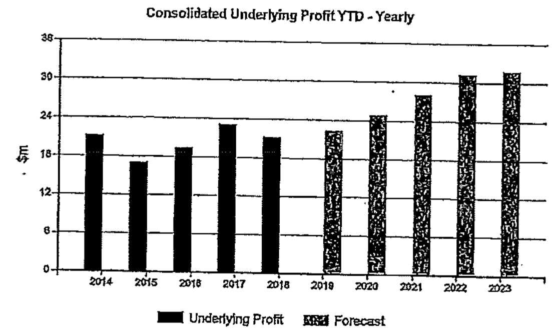
Individual line item $ amounts may not add up to Totals due to rounding variance +-$1,000

FINANCIAL PERSPECTIVE - PROFITABILITY AND RETURN

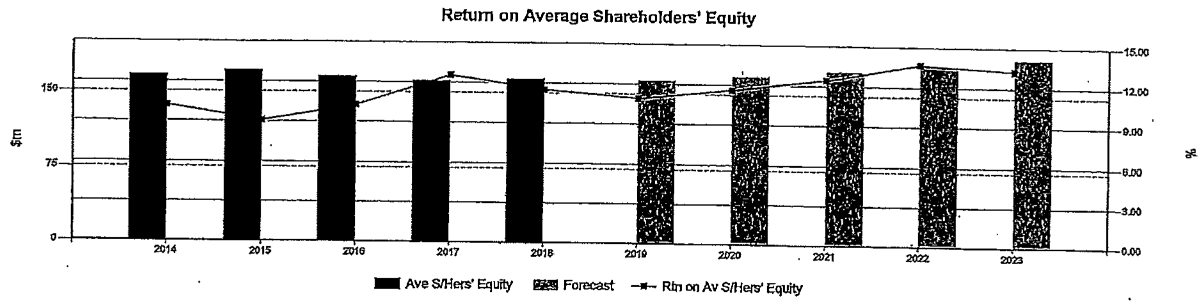
As at September 2018

FP4





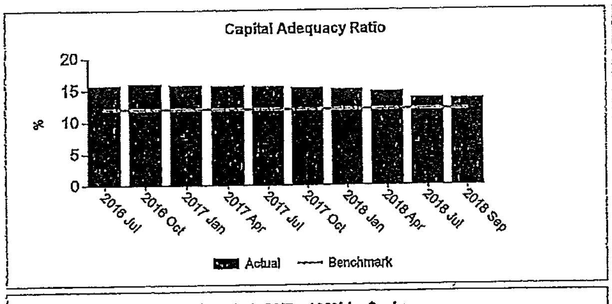
* YTD the actual underlying profit was $5.89 million compared to the YTD forecast of $5.26 million.

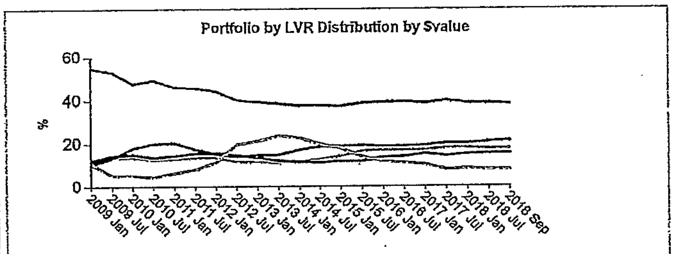


* YTD the actual return on average shareholder's equity is 14.14% compared to the full year forecast of 10.94%.

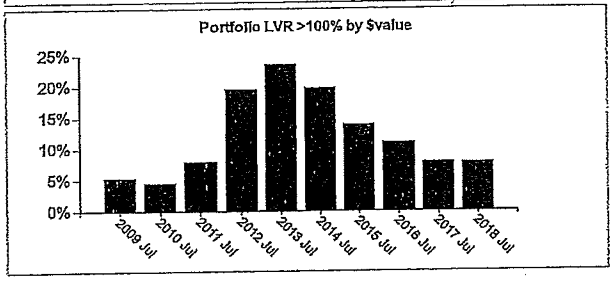
FINANCIAL PERSPECTIVE - PORTFOLIO RISK ANALYSIS

As at September 2018





Exc Community Lending & Aged Care



Exc Community Lending & Aged Care. Values as at July each year after the annual VG update in LLAS.

Portfolio Potential Shortfall - Stress Test

Sale Price: Current Value %		Customers who sell % ($m)			
Metro	Country	1%	10%	20%	30%
99	79	$1.0	$10.5	$20.9	$31.4
90	70	$1.8	$18.1	$36.2	$54.3
80	60	$3.1	$30.8	$61.7	$92.5
70	50	$4.7	$46.9	$93.8	$140.7

E.g. If 30% of properties were sold on the one day and HomeStart only realises 70% of current value in the Metro Areas and 50% in Country Areas, $140.7 million in capital would be required to make up the shortfall.

General Portfolio Risk Statistics	2018 Sep	2018 Aug	Benchmark
Current Weighted Avg LVR (%)	78.42	78.22	<=80.00
Weighted Avg Age (years)	4.50	4.50	n/a
Non-Accrual Loans (%)	1.79	1.88	<=5.60

FINANCIAL PERSPECTIVE - TREASURY

As at September 2018

Key Measures	This month $	Previous month $	Policy limit $
Total debt portfolio	1,934,357,617	1,924,602,435	2,105,000,000
Market Value profit/(loss) of debt portfolio	(1,609,285)	(2,120,434)	

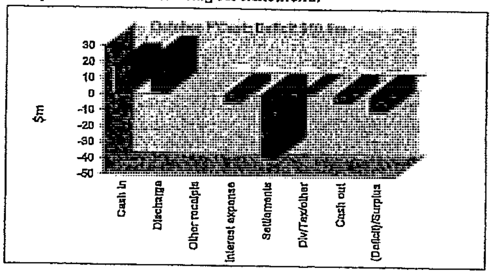
	Actual this month	Previous month
Cost of Funds %	2.168	2.209
Avg Guarantee fee %	1.513	1.515

Comments/Actions:

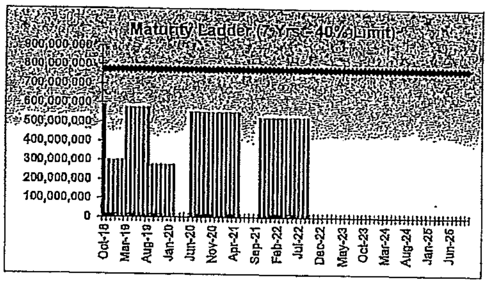
Total debt increased by $9.9m in September, which was a little below forecast with an increase in loans discharged. The operating outlook has a projected net increase in borrowings of $166m over the next 12 months, which would bring total borrowings to $2.1b (slightly below the current limit).

The average cost of funding improved this month with the benchmark 30 day bank bill rate stabilising at around 1.85%. As expected, the RBA left the cash rate at 1.50% in October. The market consensus for timing of a rate increase remains for the last quarter of 2019.

Graph 1 Forecast borrowing for next month



Graph 2 Maturity ladder (refinancing risk)



FINANCIAL PERSPECTIVE - OPERATING ENVIRONMENT

As at September 2018

Valuer-General Quarterly House Price Changes

Suburb	Jun 2018 ($)	Jun 2017 ($)	Period change (%)
Blakeview	317,500	336,000	-5.2
Elizabeth Downs	205,000	202,500	1.2
Salisbury East	310,000	310,000	[illegible]
Brahma Lodge	265,000	271,250	-2.3
Morphett Vale	327,500	312,500	4.8
Christie Downs	277,500	267,500	3.7

Source: Data SA metro median house sales (latest quarterly update)

Selected South Australian Indicators

INDICATOR	Latest	A year ago	COMMENTS
FHB - average loan size ($)	281,200	278,100	+1.1% YoY to July 18
Unemployment (%)	5.6	6.2	SA, trend data, July 18
Retail Sales - Total ($m)	1,753	1,705	+2.85% trend data change over 12 months to July 18
Inflation (Adelaide, all groups) (%)	2.7	1.6	June Qtr 2018, YoY inflation figures
RP Data Home Value Index	114.17	113.20	Adelaide prices: +0.9% from 12 months ago

Sources: ABS Cats 5609, 6202, 8501, 6401 (latest updates; RP Data Daily Index on rpdata.com)

Comments/Actions:

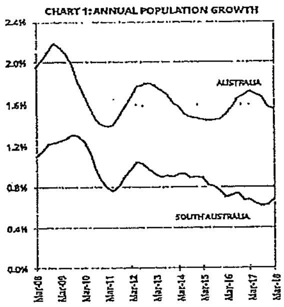
The RBA left the cash rate at 1.50% again in September resulting in the rate now being on hold for over 24 months. The RBA forecasts still have GDP growth at a little over 3% in 2018 and 2019 and unemployment reducing to 5% by late 2020 (from 5.6% currently). Improvements to income growth and inflation are expected to be slow and most market forecasts suggest a rate rise will not occur until late in 2019.

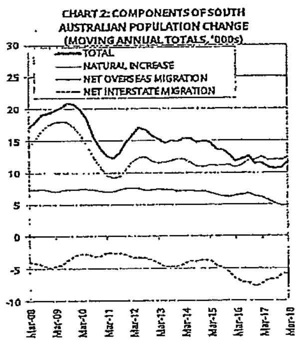
In trend terms, the unemployment rate in South Australia remained unchanged at 5.6% in July. Nationally, the unemployment rate remained unchanged at 5.4% in July—see Table 1

Through the year to July 2018, increases in South Australian retail turnover (up 0.2% in July) were recorded for cafes, restaurants and take-away food services (up 8.2%), household goods retailing (up 5.2%), food retailing (up 2.9%) and department stores (up 1.0%) while a fall was recorded for clothing, footwear and personal accessory retailing (down 5.1%). 'Other retailing' was unchanged in July.

South Australian trend State Final Demand rose by 0.8% in the June quarter 2018 and by 3.5% through the year, matching the national equivalent, Domestic Final Demand, which also rose by 0.8% in the quarter and by 3.5% through the year.

Charts for the Month





Source: Dept of Premier and Cabinet Economics; ABS Cat No 3101.0, September 2018

CORPORATE GOVERNANCE - RISK MANAGEMENT

As at September 2018

Inherent Risks	
Rating	Number
Extreme	[illegible]
Major	[illegible]
Moderate	12
Low	[illegible]
Very Low	[illegible]

Residual Risks	
Rating	Number
Extreme	[illegible]
Major	[illegible]
Moderate	10
Low	[illegible]
Very Low	[illegible]

New Major and Extreme Incidents

NIL

Existing Major and Extreme Incident Update

NIL

New / Emerging Risks
.

Extreme Residual Risks
Change in Government Policy
Cybercrime

Major Residual Risks
Government Restricts Borrowing
Internal Policy Breach
Process Not Followed
Unsafe Workplace
Loss of HomeStart Data

Business Continuity
BCP: Last update June 2018
Last Completed Test - June 2018
Next Test - TBC
IT DR Plan: Last tested August 2018.

Risk Indicators - all % data calculated by reference to loan values unless otherwise stated

	Sep-2018	Aug-2018	Jul-2018	Jun-2018	May-2018	Apr-2018
Stress Test (Write-Offs)* ($m)	140.8	138.3	135.8	132.8	125.8	123.6
Arrears >= 1 Month** (%, by value)	1.51	1.62	1.73	1.88	1.90	2.21
SPIN*** > 1 Month (%) - 2 month lag			1.01	1.04	1.02	1.08
Arrears >= 3 Months** (%, by value)	0.76	0.75	0.79	0.84	0.84	0.89
SPIN*** > 3 Months (%) - 2 month lag			0.50	0.51	0.48	0.49
Capitalised Arrears ($ '000) (No. of loans)	21 (11)	7 (8)	5(12)	6 (8)	4 (7)	7 (9)
Customers in Advance (%)	67	67	67	67	67	67
No. Loans with Voluntary Instalments (%)	44	44	44	44	44	44
Properties for Sale (Realisations)	23	24	22	24	25	26
Capitalising loans >$50/mth ($ '000) (No. of loans)	1.5 (24)	1.5 (23)	1.6 (25)	1.7 (27)	2 (30)	1.9 (29)
Portfolio Loans > 100% LVR (%)	7.8	7.7	7.7	7.8	9.0	8.8
New Lending rated ARG grade 5 (%)	7.2	2.2	2.9	3.1	6.4	4.3
High LVR New Lending >95% - Graduate Loans (%)+	48.0	38.5	41.0	43.8	49.5	53.3
High LVR New Lending >95% - Low Deposit Loan (%)+	0.7	1.6	0.8	0.0	0.5	1.5
No. Channels 'A' Audit - New Lending (%)	100	100	100	50	100	100
No. Channels 'A' Audit - Arrears (%)	50	100	0	50	50	100
Borrowing Limit Capacity ($m)	170.6	180.5	194.3	207.2	238.2	255.8

** based on 30% sale of properties ** incl HOME, RP and Realisation accounts *** Standard & Poor's Australian RMBS PRIME Spin - two month lag + excl Seniors Equity Loans*

Account Payment Performance	No.	Amount ($)	Comments
Paid by due date (within 30 days of receipt of invoice)	327	708,823	
Paid late, but paid within 30 days of due date	2	2,767	
Paid more than 30 days after due date	0	0	

CUSTOMER PERSPECTIVE - LOAN PORTFOLIO COMPOSITION

[redacted]

[redacted]

CUSTOMER PERSPECTIVE - NEW LENDING PROFILE

CP3

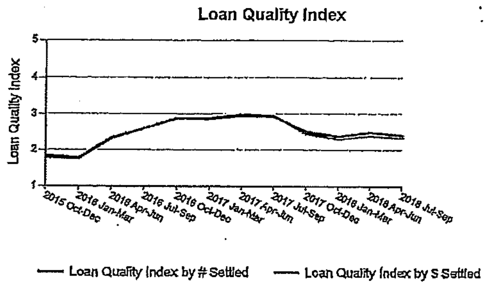
1810.1.11

[redacted]

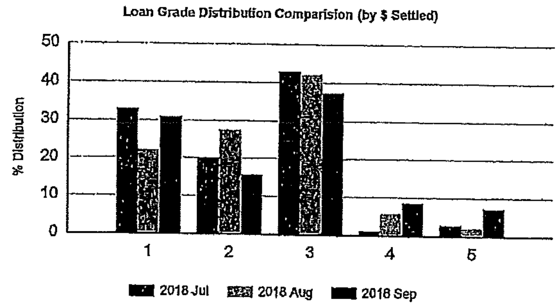
CUSTOMER PERSPECTIVE - APPLICATION RISK GRADING DISTRIBUTION

As at September 2018

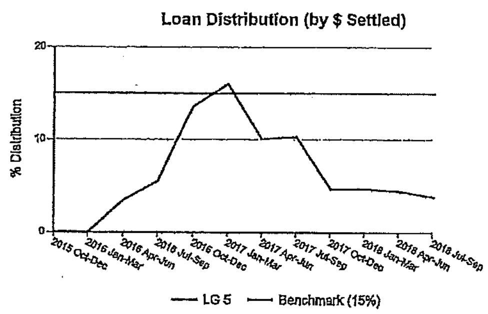
CP4



Index of total loans settled by application risk grade (ARG)

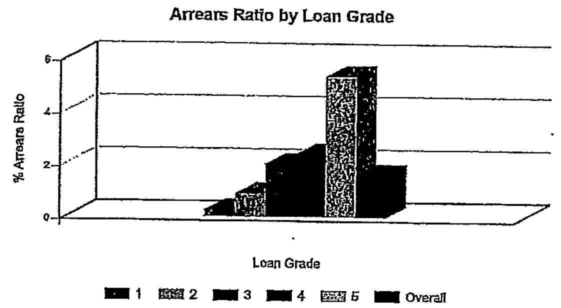


A comparison of the distribution of loans settled by application risk grade for the previous 3 months



Proportion of new loans (ARG 5) settled to total $ settled

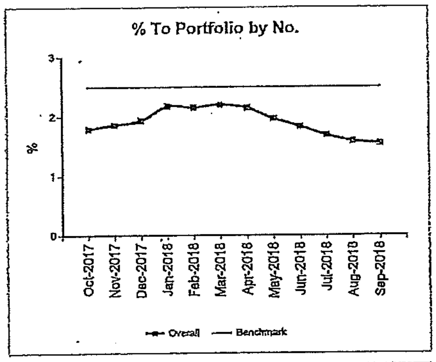
Benchmark: % of loans settled to total loans settled < 15 % (grey line)



The ability of the ARG credit scoring system to capture the largest proportion of arrears accounts in risk grades (ARG 5)

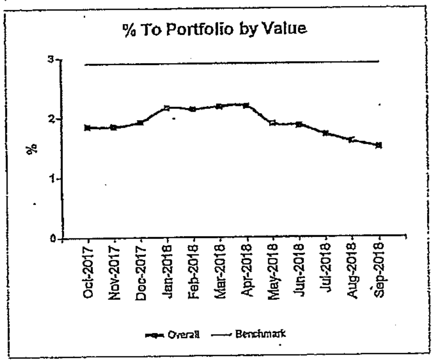
CUSTOMER PERSPECTIVE - ARREARS
As at September 2018

Months in Arrears	Sep-2017 No. of Arrears	Sep-2017 % to Portfolio by Value	Aug-2018 % to Portfolio by Value	Sep-2018 No. of Arrears	Sep-2018 % to Portfolio by No.	Sep-2018 % to Portfolio by Value	% to Portfolio 3 Mth Moving Avg by Value
1 Month in Arrears	82	0.75	0.64	64	0.53	0.53	
2 Months in Arrears	22	0.18	0.22	32	0.26	0.21	
3 Months in Arrears	7	0.06	0.16	17	0.14	0.16	
4 Months and over	96	0.84	0.58	75	0.62	0.60	
Total	207	1.82	1.60	188	1.54	1.50	1.60



	BankSA	HomeStart Retail	Policy and Compliance	Realisations	Community Finance	Loss Recovery
1 Month in Arrears		48		16		
2 Months in Arrears		14		18		
3 Months in Arrears		3	1	13		
4 Months and over		4	1	70		
Total		69	2	117		
Portfolio*	2490	9399	22	246	17	3
% Portfolio (No.)		0.73				
Orig. Arrears % (No.)		1.96				
Benchmark by No.		2.50				
% Portfolio (Value)		0.62				
Benchmark by Value		2.90				

Avg Age of Portfolio	9.0	6.5



* Data excludes Senior Equity, Loss Recovery and Off Balance Sheet loan products.

Indicator guide : <90% 90-99 100% of target

CUSTOMER PERSPECTIVE - ARREARS

As at September 2018

Nunga Loan Arrears >= 1 Month in Arrears

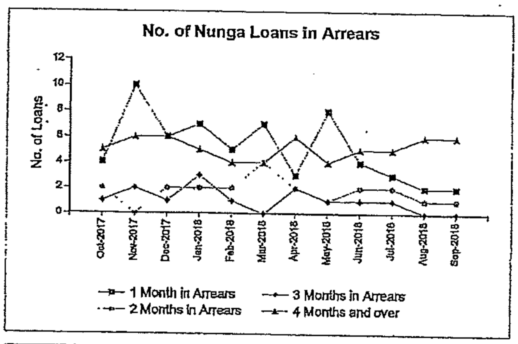
Loan Manager	No. Loans in Arrears	Variance from Last Month (No.)	Value of Loans $ '000	Avg Loan Value $ '000
HomeStart Retail	1	0	92	92
Pre Legal - Realisations	1	0	157	157
Mortgagee in Possession	2	1	234	117
Supreme Court	3	-1	456	152
Hardship	2	0	353	176
Total	9	0	1,292	144
	Sep-2018	Aug-2018	Jul-2018	Jun-2018
No of Loans >=1 Month in Arrears	9	8	11	12
% to Nunga Portfolio by No.	7.50	7.50	9.17	10.00
Loans >=1 Month in Arrears ($ '000)	1,292	1,282	1,645	1,604
% Nunga Portfolio by Value	9.16	8.05	11.66	11.24

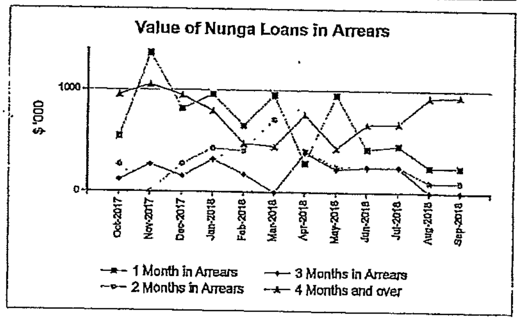
Comments/Actions:

Portfolio volumes continue to decrease due to more pro-active front end contact with our customers and establishing affordable short term resolutions resulting in fewer loans escalating and needing more complex solutions via Hardship.

In order to ensure a swift and appropriate realisation of deceased estates, all such cases are now included within the Legal Portfolio however the majority are not considered in arrears, so therefore have not impacted our overall performance levels.

Of note is the considerable reduction in provisioning against bad debt with over $450k no longer provisioned for, as a result of a genuine reduction in arrears cases.





INTERNAL PERSPECTIVE - REALISATIONS

As at September 2018

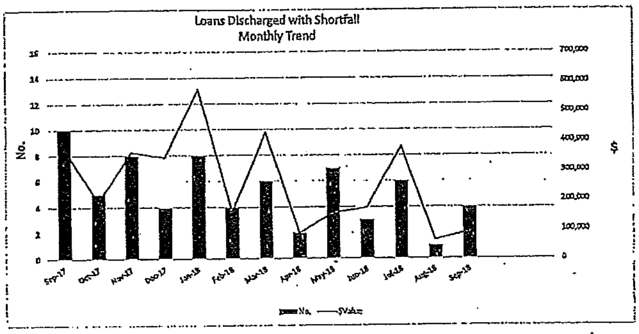
Portfolio - Realisations	Jul-2018	Aug-2018	Sep-2018
Opening Balance for Month	24	22	24
Add New Properties	5	3	3
Less Discharges	7	1	4
Closing Balance	22	24	23
Less Contracts in Hand	2	5	6
Properties for sale	20	19	17

Shortfall Details	Sep-18	YTD	Benchmarks
Total Shortfall - MIP and Voluntary ($)	91,041	533,625	888,792
Average Shortfall - Nunga ($)	0	0	
Average Shortfall - ex Nunga ($)	22,760	44,469	41,250
Average age of Current Stock (Days)	218.26		90
Time to Sale (Days)	110.5	169.33	120

Portfolio - Supreme Court & Pre Legal	Aug-18	Sep-18	YTD
Opening Balance	101	97	95
Add new Loans	10	46	39
Sub Total	111	143	170
Less transferred to MIP/Realisation	2	3	10
Less Loans Discharged	2	0	5
Less Loans returned to Hardship/Retail	10	4	19
Closing Balance at month end	97	136	136

WRITE OFF COMPARISON YEAR TO DATE

	$0k to $10k	$11k to $20k	$21k to $30k	$31k to $40k	$40k+	Total $
Full Year Budget $ Value	106,655	284,414	284,414	284,414	284,414	3,555,169
YTD #	3	0	1	3	5	12
YTD Total $ Value	22,074	0	30,230	111,437	434,696	598,437

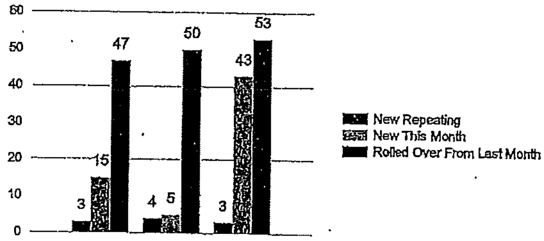


Comments/Actions:

- The Board of HomeStart Finance is requested to note 4 Mortgagee In Possession (MIP) discharges for September 2018 with the condition of the properties considered 'Good' (1) and Poor (3) and total approved Write Off value $91,041.21.
- Of the 4 cases, 2 yielded a surplus and 2 shortfalls: the surplus funds have been distributed to the Public Trustee in one case pertaining to a deceased estate and the other case saw the surplus funds paid against caveats placed on the property. In relation to the shortfalls, both properties were in a poor condition with >$5000 needed in maintenance/repairs and outstanding statutory costs being paid at settlement which further impacted our loss.
- 3 new shortfalls totalling $131,934 have been identified this month; average shortfall has decreased compared to prior months and is forecast to remain stable at this level. Current YTD potential net shortfalls are 23 properties with total shortfall provision of $1,152,895 (average $50,126).
- The considerable increase in Legal cases is a direct result of incorporating all 'deceased' matters into this portfolio; the majority are not in arrears with the Estates being appropriately resolved by legal represntives and the family. Please note, the reporting in relation to Legal cases has been updated to a more detailed, stand-alone report and further work is underway to expand reporting against provisioning on the arrears portfolio, including Legal and MIP, in order to clearly articulate performance in these areas and the direct benefit to the organisation.

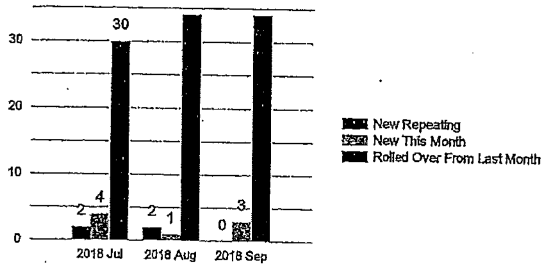
Pre-Legal	Primary Loans	Loan Balance	Arrears	Average Balance
Current	99	$10,193,540.20	-$383,400.16	
New Repeating	3	$592,996.30	$4,895.80	$197,665.43
New This Month	43	$3,085,836.89	-$394,988.89	$71,763.65
Rolled Over From Last Month	53	$6,514,707.01	$6,692.93	$122,919.00
Outgoing	5	$614,886.15	-$565.39	
Loss Recovery	0	$0.00	$0.00	$0.00
Mortgagee in Possession	2	$197,651.59	-$2,635.70	$98,825.80
Rehabilitated This Month	3	$417,234.66	$2,070.31	$139,078.19
Supreme Court	0	$0.00	$0.00	$0.00

Pre-Legal Portfolio Trends



Supreme Court	Primary Loans	Loan Balance	Arrears	Average Balance
Current	37	$6,510,045.79	$325,478.39	
New Repeating	0	$0.00	$0.00	$0.00
New This Month	3	$789,058.75	$23,473.83	$263,019.58
Rolled Over From Last Month	34	$5,720,987.04	$302,004.56	$168,264.32
Outgoing	2	$267,967.19	$23,317.33	
Loss Recovery	0	$0.00	$0.00	$0.00
Mortgagee in Possession	1	$169,225.25	$23,317.33	$169,225.25
Rehabilitated This Month	1	$98,741.94	$0.00	$98,741.94
Supreme Court	0	$0.00	$0.00	$0.00

Supreme Court Portfolio Trends

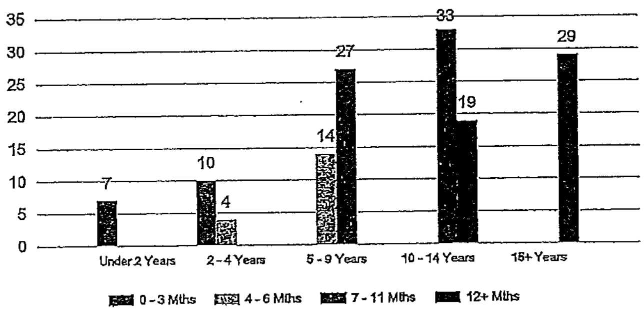


IP - Legal Cases
September 2018 **CP6** 1810.1.15

HomeStart FINANCE

Loan Age by Group	Months in Pre-Legal / Legal 0 - 3 Mths	4 - 6 Mths	7 - 11 Mths	12+ Mths	Total
Under 2	7	0	0	0	7
2 - 4	10	4	0	0	14
5 - 9	0	13	25	0	38
10 - 14	0	0	30	19	49
15+	0	0	0	28	28
Total	17	17	55	47	136

Continuing Legal Trends



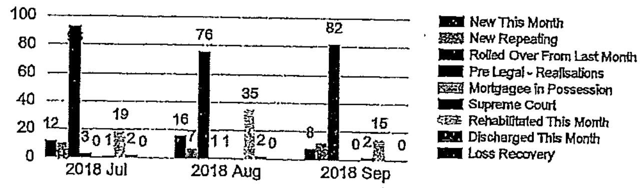
Comments/Actions:

Following the inclusion of all 'deceased' cases within the Legal region of HS, we have seen a significant jump in the portfolio numbers compared with prior trends: 39 cases in September.

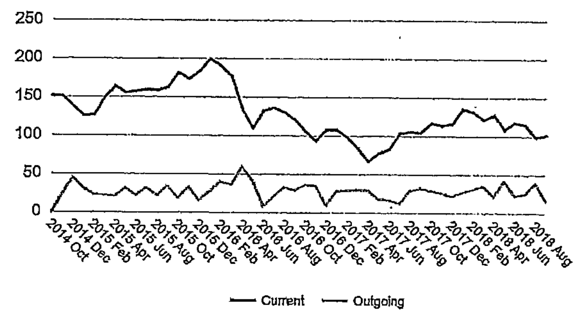
Due to the complex nature of realising a deceased estate and the high likelihood of enforcement being required, absorbing these into the legal portfolio ensures a consistent and sensitive approach to enforcement and the best result overall for HomeStart.

Hardship Status	Primary Hardship Count
Current	**102**
New Repeating	12
New This Month	8
Rolled Over From Last Month	82
Outgoing	**17**
Loss Recovery	0
Mortgagee in Possession	0
Rehabilitated This Month	15
Supreme Court	2

Hardship Portfolio Trends



\# Loans Held in Hardship



Comments/Actions:

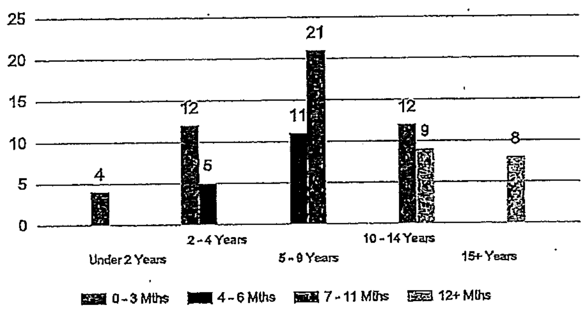
Portfolio numbers have remained reasonably static with fewer loans being referred into Hardship outcomes.

Of note is the reduction in the number of loans being 'rehabilitated' out of Hardship and work is underway to review the long standing hardship cases and ensure these remain viable in the longer term.

Continuing Hardship Loan Age by Group	Months in Hardship 0 - 3 Mths	4 - 6 Mths	7 - 11 Mths	12+ Mths	Total
Under 2	4				4
2 - 4	12	5			17
5 - 9		11	21		32
10 - 14			12	9	21
15+				8	8
Total	16	16	33	17	82

Repeated Hardship Loan Age by Group	Months in Hardship 0 - 3 Mths	4 - 6 Mths	7 - 11 Mths	12+ Mths	Total
2 - 4 Years	2	3			5
5 - 9 Years			3		3
10 - 14 Years			1		1
15+ Years				3	3
Total	2	3	4	3	12

Continuing Hardship Trends



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CUSTOMER PERSPECTIVE - EQUITYSTART, SEO AND BREAKTHROUGH ACTIVITY

As at September 2018

CP9

EquityStart	No.	$ '000
PreApprovals	6	1,161
Approved	8	1,655
Total	14	2,816

Shared Equity Option	No.	$ '000
PreApprovals	4	1,300
Approved	17	4,322
Total	21	5,622

New Lending	MTD		YTD		All	
EquityStart	No.	$ '000	No.	$ '000	No.	$ '000
EquityStart Loan		50		150		66,342
HomeStart Loans		188		591		194,639
Total Settled	1	238	3	741	1456	260,981

New Lending	MTD		YTD		All	
Shared Equity Option	No.	$ '000	No.	$ '000	No.	$ '000
HomeStart Loans		1,782		3,152		3,707
Shared Equity Option		428		716		851
Total Settled	7	2,211	12	3,868	15	4,558

New Lending	All	
Breakthrough	No.	$ '000
Breakthrough Loan		109,669
HomeStart Loans		244,954
Total Settled	1344	354,623

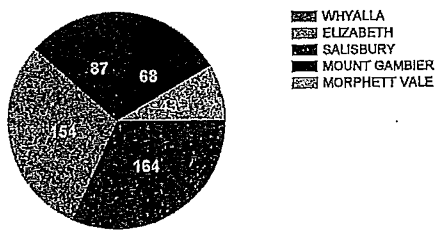
New Lending	All	
Off Balance Sheet - SAL	No.	$ '000
Off Balance Sheet		7,064
HomeStart Loans		23,355
Total Settled	98	30,418

EquityStart Portfolio	No.	$ '000
EquityStart Loans	677	32,839
HomeStart Loans		75,983

Shared Equity Option Portfolio		$ '000
Shared Equity Option	15	851
HomeStart Loans		3,698

Breakthrough Loans Portfolio		$ '000
Breakthrough Loans	532	46,259
HomeStart Loans		78,295

Top 5 EquityStart Loan Settlement Locations



Breakthrough Loans Gains/Losses on Property Movements $ '000	MTD	All
Gains	38	5,071
Losses		(807)

Breakthrough Loan Current Portfolio by LVR	No.	$ '000	% by $
>100%	37	10,588	8.48
>95% - <=100%	43	10,907	8.74
>90% - <=95%	74	21,738	17.41
>80% - <=90%	141	34,850	27.92
>0 - <=80%	237	46,741	37.45
Total	532	124,825	100

Comments/Actions:

CUSTOMER PERSPECTIVE - DISCHARGES

CP10

As at September 2018

Discharges	BankSA	Bernie Lewis	Brokers	HomeLoans Plus	Internal - Adelaide	Internal - North	Internal - South	HLC	Total	YTD Budget
MTD No.	31	13	35	17	19	3	3	7	128	
MTD $'000	3,379	3,085	9,086	2,629	3,181	355	954	760	23,429	23,970
YTD $'000	9,217	7,273	22,730	6,029	10,773	1,044	3,128	1,800	61,994	72,754

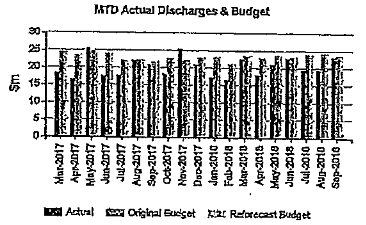
Discharge Summary by Loan Manager

MTD	BankSA	Bernie Lewis	Brokers	HomeLoans Plus	Internal - Adelaide	Internal - North	Internal - South	HLC	All Loans
Ave Age (yrs)	8.7	6.4	3.2	7.8	7.5	1.3	1.0	11.6	6.5
Benchmark (yrs)	3	3	3	3	3	3	3	3	3
Ave LVR %	46.86	79.62	78.49	54.23	51.33	46.23	68.85	46.02	58.95

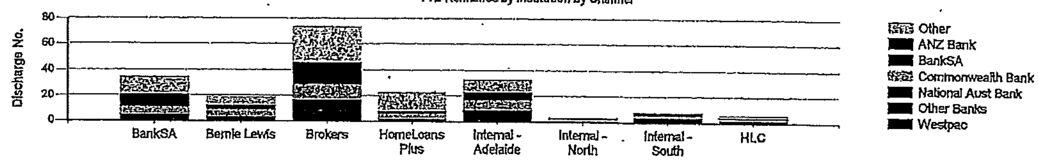
Discharge Reason by Loan Manager

YTD	BankSA	Bernie Lewis	Brokers	HomeLoans Plus	Internal - Adelaide	Internal - North	Internal - South	HLC	Total Avg %
Property Sold	42.27	31.43	21.05	28.89	37.68	16.67	27.27	50.00	31.91
Refinance	36.08	54.29	77.89	51.11	47.83	66.67	72.73	25.00	53.95
Repaid in Full	21.65	14.29	1.05	20.00	14.49	16.67	0.00	25.00	16.16

MTD Actual Discharges & Budget



YTD Refinance by Institution by Channel



Comments/Actions:

Repaid loans jumped more than $4M on the each of the previous months and were at their highest monthly dollar figure since November 2017.

Repaid loans are marginally higher than the September quarter in 2017 but well below the budgeted forecast (by $10M). Refinances to major banks has not increased but signs of refinancing to "other banks" has increased on the same quarter last year.

Data excludes Aged Care, Community Finance, Loss Recovery, Policy & Compliance and HOME & RP Discharges.

Indicator guide : <100% 101 - 110 >110% of target

INTERNAL PERSPECTIVE - CHANNEL

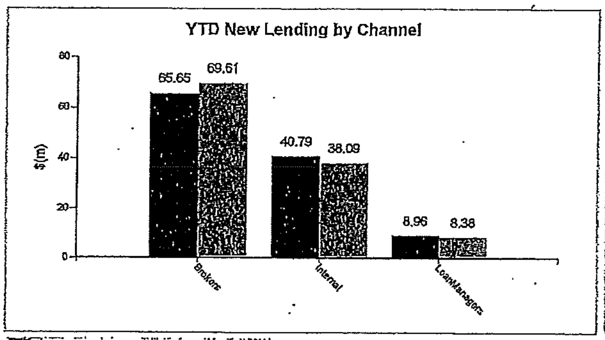
As at September 2018

Channel Lending	Total	Brokers	Internal	LoanManagers
Approvals (No.)	131	84	46	1
Approvals ($ '000)	33,496	22,018	11,345	132
Lending (No.)	131	67	61	3
Lending ($ '000)	35,044	17,988	16,516	539
Average Loan Amount ($ '000)*	288	290	291	160
Weighted Avg LVR of New Lending*	90.90%	90.65%	87.03%	76.27%
Home Equity ($ '000)	208		149	59
ReDraw ($ '000)	1,429	182	422	826
Total Settlements($'000)	36,681	18,171	17,087	1,424
Portfolio Management Details				
Portfolio Loans (No.)	13,286	2,832	3,444	7,010
Portfolio Loans ($ '000)	2,134,172	702,190	657,854	774,128
Portfolio Loans $ Value by Final LVR				
>0 - <=80%	60.63	6.80	13.58	40.25
>80% - <=90%	12.82	3.62	3.54	5.66
>90% - <=95%	12.48	5.65	4.18	2.64
>95% - <=100%	8.06	3.86	2.63	1.57
>100%	6.01	1.38	1.99	2.63
Total Net Commission Paid ($)		$174,455		$136,007

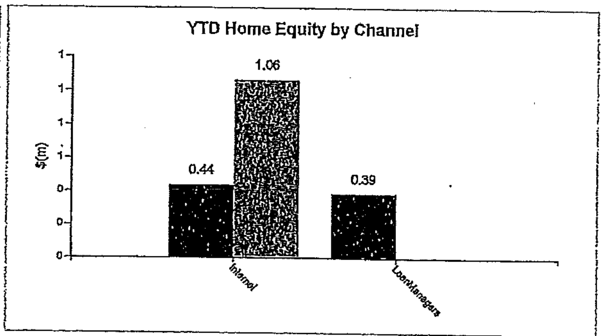
* Data excludes Seniors Equity loans,
Loan Manager is equivalent of Original Loan Manager

INTERNAL PERSPECTIVE - CHANNEL

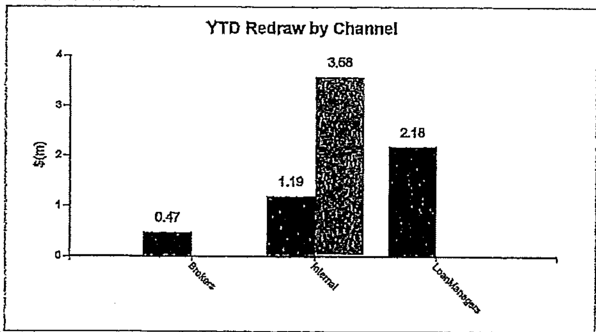
As at September 2018



	YTD Target $m	116.08
	YTD Actual $m	115.40
	Variance $m	(0.68)



	YTD Target $m	1.06
	YTD Actual $m	0.82
	Variance $m	(0.24)



	YTD Target $m	3.58
	YTD Actual $m	3.84
	Variance $m	0.26

Comments/Actions:

The transition of BankSA loans from Loan manager to Introducer with the first handful of BankSA introduced settlements in the broker channel.

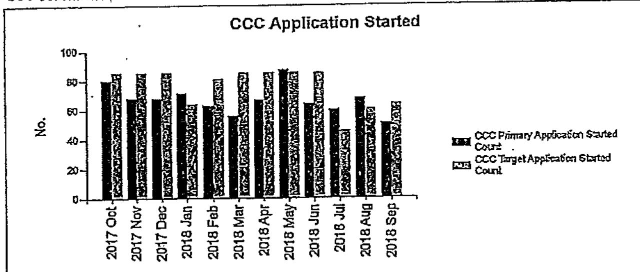
Brokers delivered 51% of settlements and 64% of Approvals in September.

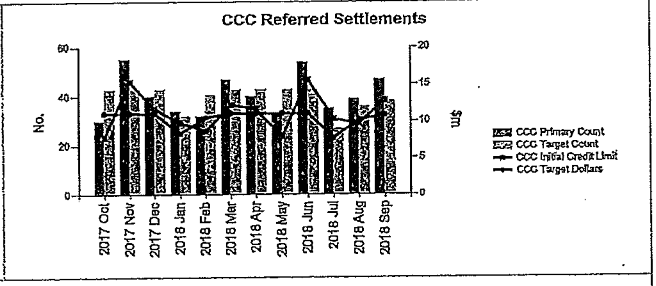
INTERNAL PERSPECTIVE - MARKETING, COMMUNICATIONS & CONTACT CENTRE ACTIVITIES

JP2

As at September 2018

CCC Referred	Conv % YTD	Targets	Actuals	MTD* Variance	YTD Targets	Actual YTD	YTD* Variance
Quotes Started #		154	128	83%	409	415	102%
Quick		90	88	98%	237	256	108%
Full		64	40	62%	172	159	93%
Applications Started #	112.58%	65	51	79%	171	179	105%
Application Submitted #	75.42%	48	40	83%	128	135	106%
Approvals #	67.04%	39	30	76%	104	120	115%
CCC Settlement #	100.83%	38	47	123%	101	121	120%
CCC Settlement $		$10,792,997	$12,736,085	118%	$28,569,698	$32,609,800	114%





CCC Comments/Actions:

Call volumes fell to 10% lower than July August despite the introduction of advertising on line at the commencement of the month and a week later for the television campaign. Unfortunately the majority of this decline was in full quotes which was 62% of target.

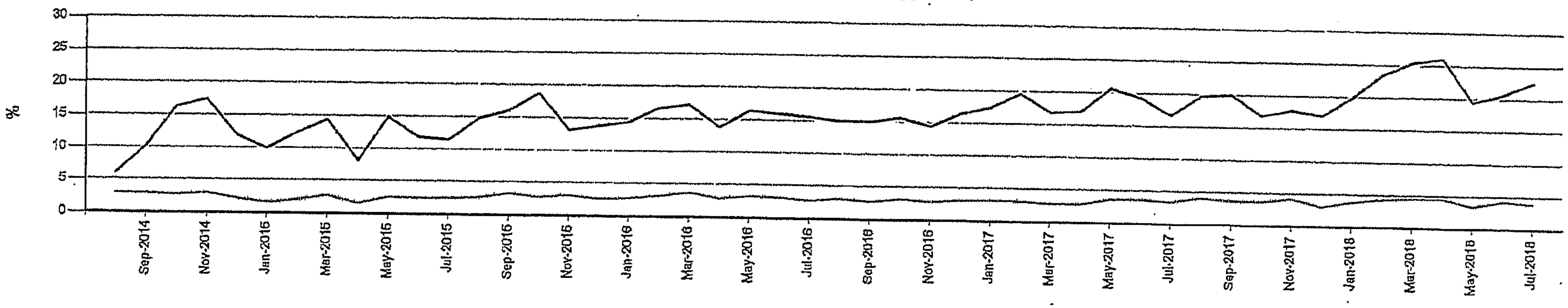
On the back of strong CCC enquiry level from May to July has underwritten strong CCC sourced settlements which are 120% of target by number for the quarter or 114% by $ amount.

INTERNAL PERSPECTIVE - MARKETING, COMMUNICATIONS & CONTACT CENTRE ACTIVITIES

As at September 2018

IP2

HomeStart and FHB Market Share (ABS Approvals)



Marketing Comments/Actions:

September saw the launch of our paid advertising campaign for this financial year. This included a combination of television, radio, outdoor, cinema, digital and social media, beginning in the second half of the month. Activity stretched across metropolitan Adelaide along with the Port Lincoln and Mount Gambier areas. The creative focus was on our 'newly single' and 'influencer' executions. We sent out three communication pieces to brokers and erected new signage at Coast to Coast homes in Virginia and Prospect.

We finished September at 70% of our MTD enquiry target (499/709) and 84% of our YTD target. Our social media followings continued to increase with 27 posts across the various channels and a total reach of over 30,000.

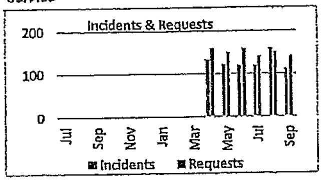
Our blog post on "How to pet proof your new home" had a reach of over 10,000 and over 300 visits to the website. We had three events in September; Deborah Dickson represented HomeStart at the SADNA Grand Final Presentation and the Netball SA Premier League Awards Dinner. The final event was a Home Buyer Seminar held at South Adelaide Football Club, which had 25 attendees.

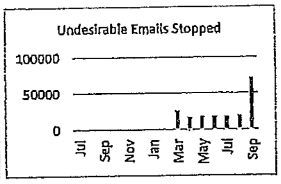
We had four separate media publications in the month of September, one of these was republished in over 40 different publications at an estimated standard advertising rate of over $160,000.

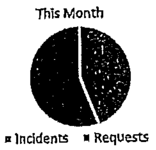
1807.1.22

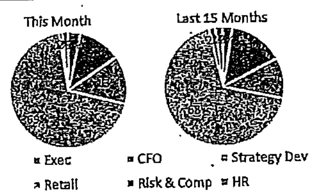
IP3 - Information Services Dashboard - for September 2018

Service



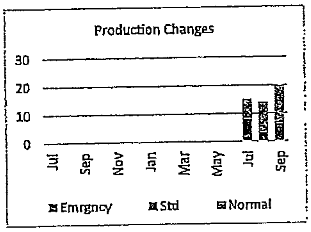


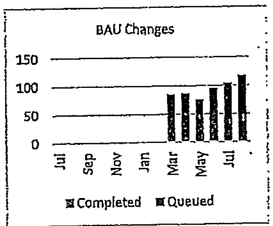




Incidents of Note:
QMS license expiry caused call recording issue for 90 mins
Intermittent delay call issue impacted call recording for 4 hours

Operations





Significant Issues:
None

Maintenance

Project	*Last*	*Current*	*Next*	*%*	*Key Points*
Skype Upgrade				95%	Successful upgrade, awaiting closure docs
CC & QMS Upgrade				95%	Successful upgrade, awaiting closure docs
PeopleStreme upgrade				20%	Upgrade due to commence in November
Exchange Upgrade				95%	Successful upgrade, awaiting closure docs
Server upgrades				95%	Successful upgrade, awaiting closure docs
Dev -> Prod env rebuild				80%	
SharePoint Upgrade				10%	
Calculator simplification				10%	POC due to commence on 11/11/18
SAGE 300 Upgrade				10%	
Kentico CMS Upgrade				95%	Successful upgrade, awaiting closure docs
Penetration Testing				50%	
Sandstone Upgrade				5%	

Capability Building

Project	*Last*	*Current*	*Next*	*%*	*Key Points*
Core EDRMS				15%	Contact signed, work commences 11/11/18
Architecture Review				20%	RFQ distributed to vendors
Lending Multiplier				10%	
Broker Governance				5%	
LiquidFiles Rollout				25%	
Enterprise Service Bus				2%	
Web Site Stage 1				5%	
Accounts Payable				2%	
End Point Protection				10%	
Service Desk Manager				2%	
11/10/2018					41

PEOPLE PERSPECTIVE - OUR PEOPLE

As at September 2018

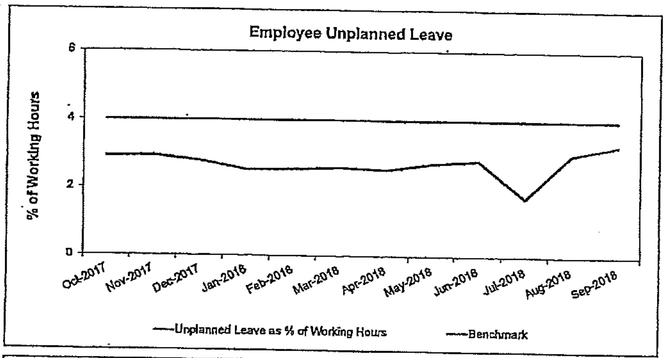
WORKFORCE QUALITY*	Actual	Benchmark
Workforce movements (rolling 12 months) (%)		
Employee initiated	10.28	
Employer initiated	0.00	
Contract expiry	0.93	
Total *	11.21	15.00
** Total excludes redundancies of 4.67%*		
Learning & Development		
L&D to Salaries (excl CEO & GMs) (%)	3.23	3.00 - 4.00
L&D to Salaries (all employees) (%)	2.87	

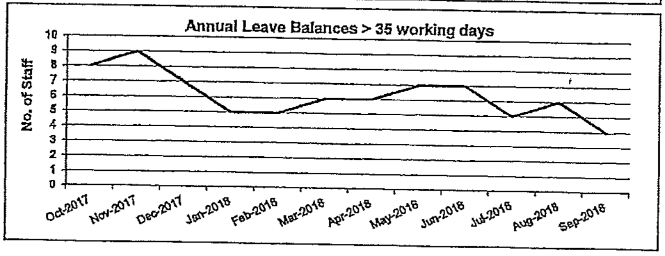
Cost & Efficiency*		
Total headcount (inc. casuals) (No.)	108	
Headcount - Continuing	88	
Headcount - Tenured	1	
Headcount - Fixed Term + Casuals	19	
Total FTE vs. Budget (No.)	100.55	104.12
Executive Services	6.70	6.70
Legal & Risk Assurance	4.60	6.00
Retail	47.81	51.99
Strategic Development	14.80	14.80
CFO	26.64	24.63
Workforce Composition (%)		
Headcount full time	84.91	
Headcount part time	15.09	
Recruitment & Selection		
Average Business Days to Fill Vacancies	12	15

Strategy Alignment*		
Performance Management %		
2017-18 *my*Plan End Year Review	100.00	100.00
2018-19 *my*Plan Set Plans	100.00	100.00

Service Quality*		
Employee grievances (No.)	0.00	0

**All data excludes contractors & includes employees on LWOP unless otherwise indicated*

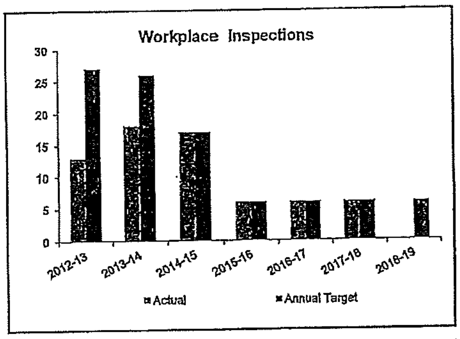


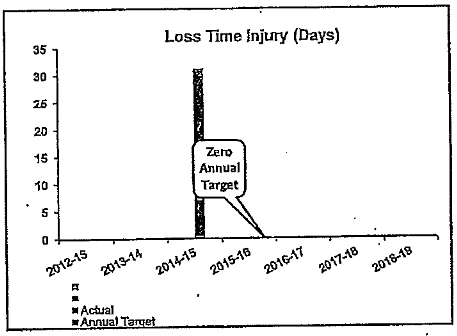


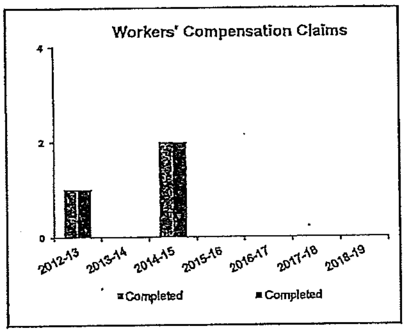
Comments / Actions: HomeStart was awarded the 2018 Employer of Choice (Public Sector and NFP) by Australian HRD in Sydney. Over 1100 applications from across Australia in this category narrowed down to 7 finalists. The Employer of Choice (Public Sector & NFP) recognises the best public sector or not-for-profit organisation to work for in Australia and is judged on leadership, engagement, communication and employee benefits. Interviews were conducted for Legal Counsel, Collections Officers, Information Management Officer and Management Accountant and successful candidates selected. Commencement dates are currently being negotiated. Roles advertised during the month included Credit Risk Analyst, Loan Processing Officer, Credit Assessor and Lending Operations Leader. The selection process for these roles will commence in October. Access Programs, our Employee Assistance Program delivered a lunchtime session "Loss & Grief at Work". This short workshop discussed dealing with loss and grief at work and how to support workmates, friends and family during loss and grief. To support our commitment to our employees Financial Wellbeing, Maxxia, our salary packaging provider, presented at the All HomeStart Huddle. Maxxia were also available for a few hours after the Huddle to offer information and/or advice to employees on how to maximise opportunities through salary sacrificing.

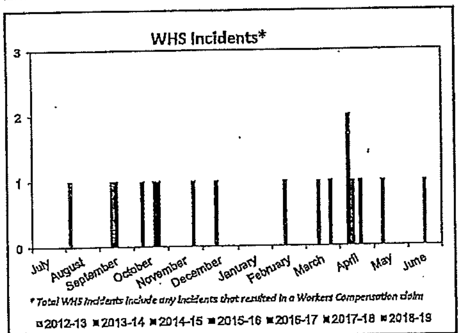
PEOPLE PERSPECTIVE - WORK HEALTH & SAFETY

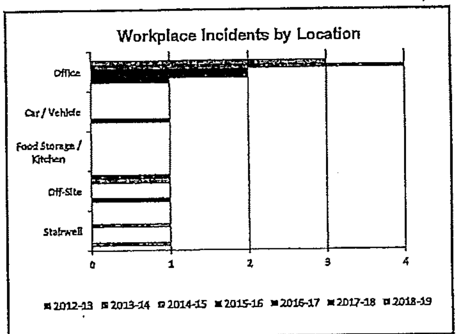
As at September 2018

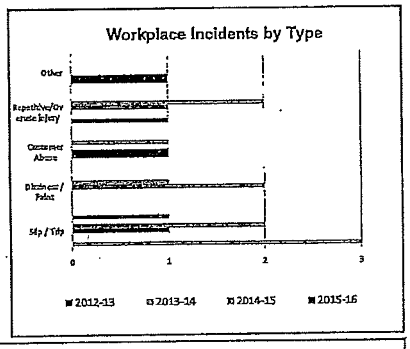












Comments / Actions: There were no workplace accidents or injuries in September. Annual workplace inspections are not due until February 2019.

Board paper

Agenda item: 1810.2

Topic:	2018-19 Operating Outlook Review
From:	David Hughes
Date:	16/10/2018
Status:	Approving

1. Background

Attached is the first review of the 2018-19 Operating Outlook, including key indicators and projected financial statements, with comparisons to the original budget approved in June 2018.

The forecast has been prepared on an 'as is' basis; i.e. only approved products and strategies are incorporated. The forecast covers the 2018-19 financial year and following 3 years.

[redacted]

[redacted]

2.1 Strategic operating parameters

The 2018-19 forecasts meet the previous strategic operating parameters with DTF including:

- A ROE target of 9.0%. Based on the projections, ROE exceeds the 9% target in all years and top-up CSO payment is not required.
- A dividend payout ratio of 60%
- Minimum capital adequacy target of 12%
- A cost to income ratio target of less than 55%.

The current borrowing limit is $2.105b and is currently being reviewed. Under the strategic operating parameters, this level was expected to increase annually by 5.25% from 1 July 2013, but no increases were effected as borrowings had been well within the limit. [redacted]

Board paper

[redacted]

3. Recommendation

That the Board approves the October review of the Operating Outlook which results in a projected profit of $19.7m (ROE 11.9%) for 2018-19 against the original budget of $18.1m (ROE 11.1%).

David Hughes
Chief Financial Officer

HomeStart Finance - New lending by product

[redacted]

[redacted]

HomeStart Finance - Income Statement

[redacted]

HomeStart Finance - Balance Sheet

[redacted]

Board paper

Agenda item: 1810.3

Topic:	Risk Appetite Quarterly Update
From:	Kay Lindley
Date:	16/10/2018
Status:	Noting

1. Background

The Board's appetite for risk is reflected in the Risk Appetite Statement. The statement includes a number of key risk indicators (KRI's) that are monitored each quarter to ensure HomeStart leverages its risk appetite. Performance against these KRI's is reflected in the attached quarterly risk appetite scorecard.

More detailed information can be found in the Risk Appetite Statement.

2. Discussion

The quarterly risk appetite scorecard for September is attached. There are no KRI's beyond the Board approved risk tolerance.

3. Recommendation

That the Board notes the attached quarterly risk appetite scorecard.

Kay Lindley
Chief Risk Officer

Quarterly Risk Appetite Scorecard (as at 30 September 2018)

CREDIT & PRODUCT KEY RISK INDICATORS	Value				Responsible Person	Comments
% of new lending rated grade 5 by value (3 month average)	[illegible]	<10%	10 - 15%	>15%	Head of Retail	
% of new lending approved via DLA by value (3m avg)	[illegible]	<10%	11 - 15%	>15%	Head of Retail	
% of portfolio in ≥30 day arrears by number (3m avg)	[illegible]	<2.5%	2.5 - 2.9%	>2.9%	Head of Retail	
% of loan portfolio capitalising >$50 / month	[illegible]	<5%	5 - 10%	>10%	Chief Finance Officer	
Highest % of properties for any one development	[illegible]	<20%	20 - 25%	>25%	Head of Strategic Development	
Exposure to any one counterparty as % of total capital base	[illegible]	<10%	10 - 25%	>25%	Head of Retail	
% of new lending low deposit loan with LVR ≥95% (3m avg)	[illegible]	<5%	5 - 10%	>10%	Head of Retail	
% of new lending graduate loan with LVR ≥95% (3m avg)	[illegible]	<35%	35 - 45%	>45%	Head of Retail	

FINANCIAL KEY RISK INDICATORS	Value				Responsible Person	Comments
Compliance with Treasury Policies	[illegible]	100%		<100%	Chief Finance Officer	
Borrowing Limit Surplus	[illegible]	>10%	5 - 10%	<5%	Chief Finance Officer	

OPERATIONAL KEY RISK INDICATORS	Value				Responsible Person	Comments
% of full time equivalent employees who have not taken 10 days consecutive leave in past 12 months (excl. public holidays)	[illegible]	<10%	10 - 20%	>20%	P & P Leader	
No. of incidences of internal fraud in past 12 months	[illegible]	0		>0	Chief Risk Officer	
Employee Engagement - Pulse survey	[illegible]	>75%	65 - 75	<65	P & P Leader	
Workplace health and safety incidents in past 3 months	[illegible]	0		>0	P & P Leader	
No. of breaches of key legislation in past 3 months	[illegible]	0		>0	Chief Risk Officer	
No. of current CIO Complaints as % of files managed by Customer Assist team	[illegible]	<2%	2 - 4%	>4%	Chief Risk Officer	
% of unplanned downtime for IT production infrastructure (3m avg)	[illegible]	<1%	1 - 2%	>3%	IS Leader	
No. of process failure events reported that had an adverse impact on >500 customers, past 12 months	[illegible]	0		>0	Chief Risk Officer	
% of new lending files audited with high risk finding (3m avg)	[illegible]	0	>0 - 2%	>2%	Head of Retail	

Board paper

Agenda item: 1810.4

Topic:	Realisations September 2018
From:	Deb Dickson
Date:	16/10/2018
Status:	Noting

1. Recommendation

That the Board notes the following write-offs:

		Gross Shortfall	Net loss after unearned interest	Existing provision	Direct write off/Write back
Established [redacted]	Appendix A	($53,530.72)	($21,137.87)	$52,341.00	$31,203.13
Established [redacted]	Appendix B	($37,510.40)	($29,028.16)	$32,280.00	$3,251.84

Deb Dickson
Head of Retail

REALISATION LOSS [redacted]

Appendix A

Gross shortfall amount -$53,530.46 Net Loss -$21,137.61

Original loan details	
Primary loan number	[redacted]
Loan start date	21 May 2010
Channel	11
Loan type	Established
Original purchase price	$190,000
Loan amount	$161,829
Further advances	$0
Balance at possession	$175,766
Arrears at possession	$26,766
Credit score	3b
Risk score	4c
Valuation	$190,000
Valuer	[redacted]
LVR	85%
VG Valuation	$171,000

Possesion details	
Possession date	9 May 2018
Valuation date	18 May 2018
Valuation - market	$150,000
Valuation - forced	$120,000
Valuer	[redacted]
Property condition	Poor
Maintenance spend	$7,638
Listed date	15 May 2018
Real estate agent	[redacted]
Agent appraisal - upper	$165,000
Agent appraisal - lower	$155,000
Contract price	$150,000
Sold date	5 September 2018
Sale price	$152,000
Sale method	Private Treaty

Financial position	Real estate manager recommendation	Actual
Loan balance at Possession	$175,766	$175,766
Plus anticipated		
Repairs & improvements	$7,637	$7,638
Legal costs	$458	$1,315
Interest	$680	$2,709
Council Rates	$5,500	$5,766
Water Rates	$3,500	$3,095
HS admin fee	$2,055	$2,028
Other	$1,291	$1,291
Forecast Loan balance	$196,887	$199,607
Anticipated sale price	$150,000	$152,000
Less anticipated costs		
Agents commission + GST	$3,300	$3,040
Agent marketing + GST	$1,925	$1,554
Rates & taxes	$148	$0
Other	$400	$1,330
Net Sales Proceeds	$144,227	$146,076
Actual gross shortfall	-$52,660	-$53,530

Management issues	
Outside policy	No
Outside guidelines	No
Pursue valuer	No
Pursue loan manager	No
Issues raised	No

Key reasons for delinquency
Borrower avoidance
Financial difficulty

Key actions
List borrower on Equifax

Less unearned income from May-2013	$29,659	$32,393
Net loss	-$23,001	-$21,138
Less provision		$52,341
Write back of prov & unearned		$31,203

Key learnings/policy changes
Property in poor condition at possession
Maintenance/clean-up costs included $3,179 spend to make good non-compliant pool fencing

Appendix B

REALISATION LOSS [redacted]

Gross shortfall amount -$37,510.59 Net Loss -$29,028.35

Original loan details	
Primary loan number	[redacted]
Loan start date	14 October 2009
Channel	BankSA
Loan type	Established
Original purchase price	$160,000
Loan amount	$152,000
Further advances	$0
Balance at possession	$132,959
Arrears at possession	$8,660
Credit score	3c
Risk score	1a
Valuation	[redacted]
Valuer	[redacted]
LVR	95%
VG Valuation	$178,000

Possesion details	
Possession date	23 April 2018
Valuation date	15 May 2018
Valuation - market	$132,000
Valuation - forced	$120,000
Valuer	[redacted]
Property condition	[redacted]
Maintenance spend	$5,720
Listed date	1 May 2018
Real estate agent	[redacted]
Agent appraisal - upper	$130,000
Agent appraisal - lower	$120,000
Contract price	$120,000
Sold date	18 September 2018
Sale price	$124,000
Sale method	Private Treaty

Financial position	Real estate manager recommendation	Actual
Loan balance at Possession	$132,959	$132,959
Plus anticipated		
Repairs & improvements	$6,412	$5,720
Legal costs	$0	$1,058
Interest	$546	$2,808
Council Rates	$1,500	$1,698
Water Rates	$7,500	$7,751
HS admin fee	$2,055	$2,028
Other	$857	$2,258
Forecast Loan balance	$151,829	$156,280
Anticipated sale price	$120,000	$124,000
Less anticipated costs		
Agents commission + GST	$3,894	$3,658
Agent marketing + GST	$1,925	$143
Rates & taxes	$452	$0
Other	$400	$1,430
Net Sales Proceeds	$113,329	$118,769
Actual gross shortfall	-$38,500	-$37,511

Management issues	
Outside policy	No
Outside guidelines	No
Pursue valuer	No
Pursue loan manager	No
Issues raised	No

Key reasons for delinquency
Relationship breakdown
Financial difficulty

Key actions
List borrower on Equifax
Borrower evicted

Less unearned income from Jun-2017	$6,220	$8,482
Net loss	-$32,280	-$29,028
Less provision		$32,280
Write back of prov & unearned		$3,252

Key learnings/policy changes
Property in poor condition at possession, outstanding SA Water arrears approx $7,500
Reasonable sale price achieved given conditon of the property

Board paper

Government of South Australia — HomeStart FINANCE

Agenda Item: 1810.6

Topic:	Strategic Scorecard Update - September 2018
From:	Andrew Mills
Date:	16/10/2018
Status:	Noting

1. Background

HomeStart's strategic planning and monitoring system includes quarterly reporting to Board of progress against the plan, as represented by the selected strategic Key Performance Indicators (KPIs).

The strategic KPI scorecard (Appendix A) provides an overview of how the KPIs attached to each strategic objective are performing relative to target. Figures shown are for the year to 30 September 2018, unless indicated.

This is the first Strategic Scorecard for the new 2018-2021 plan, which has been updated to reflect the new strategy map, strategic objectives and the performance indicators.

2. Discussion

2.1 Priority Indicators

The 2018-2021 strategic plan prioritised these five indicators as being the most important:

Indicator	Actual	YTD target	Variance
Progress vs technology roadmap (entire plan)	4%	5%	(1%)
Customer satisfaction index	91%	100%	(9%)
Broker satisfaction	56%	85%	(29%)
PULSE engagement survey results	82%	77%	+5%
Number of new loans	429	406	+23
Cost to income ratio	49%	54%	(5%)

Commentary regarding variances to target and actions is contained in following analysis table.

2.2 Analysis of scorecard indicators by strategic perspective

The first scorecard of the 2018-2021 strategic plan shows nine of the fifteen objectives being in 'green' status. Four objectives had 'red' status (less than 90%) and two 'yellow' (between 90 and 99%). It is expected that a new scorecard contains a number of red and yellow objectives, to provide focus areas for improvement action.

The table below provides commentary on the KPI results by strategic perspective:

Perspective	Insights	Actions
Financial	As per commentary provided in the CEO report, while financial performance has been strong there are also temporary favourable variances due to timing of expenses. While the portfolio value metric is showing 'yellow' this is not a cause for concern at >99% of target.	N/A
Customer and community	There has been a strong start to lending volumes this financial year, with the result of 429 new loans being +6% above target and +4% vs the same period last year. The excellent performance in arrears management has also continued this quarter. Customer satisfaction showed a decline in Net Promoter Score – 49% vs a target of 60% and trend results having being around 60%. At present no systemic trends have been identified. Broker satisfaction survey methodology was changed during the quarter to solicit more specific feedback about experience with HomeStart's processes. It was expected the score would be lower than against the previously more general survey questions. It will be challenging to bring this back up to such a high satisfaction score in the near future given volume issues and current environment, but will be an area of focus. The Strategic Development team is working on developing the pipeline of pathway innovation and industry partnerships, to maintain performance of these indicators into the future.	Improvements are planned to customer satisfaction measurement method in the coming quarter to provide some deeper insight. Improving the Broker experience to enhance satisfaction will be an area of focus for the Retail team.
Internal process	The 'improve customer experience' objective was in red this quarter, with the contributing factors being: • Loan processing times have been extended in recent times on the back of high volumes, which has impacted broker service standards and the days from submit to approval KPI. • The First Time Capability measure continues to be challenging. Improvement efforts are particularly focussed on internal lending, while we continue to review measures in place for brokers. The IS transformation programme has come up just short of projections (19% vs 25% for the current year and therefore 4% vs 5% for the entire plan). This was due to resourcing being ramped up in the course of the quarter, including recruitment and on-boarding or program and project managers.	Ongoing continuous improvement focus on customer and broker experience within Retail team. First Time Capability continues to be a focus.

Perspective	Insights	Actions
	Significant progress has been made by the team over the second half of Q1 and has thus placed us in a strong position for Q2 to make up the shortfall and still achieve our Q2 projections. Related to the 'ideas implemented' objective, the Strategic Development team has commenced conducting and documenting innovation 'experiments' within pilot Innovation Challenges completed this quarter. Continuous improvement changes are slightly behind at present but are expected to catch up to target over coming quarters. The credit and product Risk Appetite Utilisation is showing at 35% vs a target band of 90-110%. This is because, with the exception of graduate loans, all credit and product risk indicators are well within tolerance. Refer to the Risk Appetite scorecard report for details.	
Learning & Growth	The 'innovation and change' measure was in yellow this quarter, which reflects not all development objectives from last year's myPlans being completed. While a system is in place to follow up completion of compliance-related objectives, the next formal update of progress against all development objectives will take place during the mid-year reviews in early 2019. Consistent results were achieved in the last PULSE survey that were ahead of target. The next PULSE will be carried out in May 2019, with an update to OCI/OEI due to take place in the coming quarter.	Ongoing culture and development program, including 'circumplex' training, other technical training (seminars/ conferences), and leadership development coaching.

2.3 Target for credit losses KPI

It was identified that an erroneous target of 1.75%-2% was set for the KPI '$ credit losses as a % of portfolio value'. This has now been changed to 0.16% to align with operating outlook assumptions.

3. Recommendation

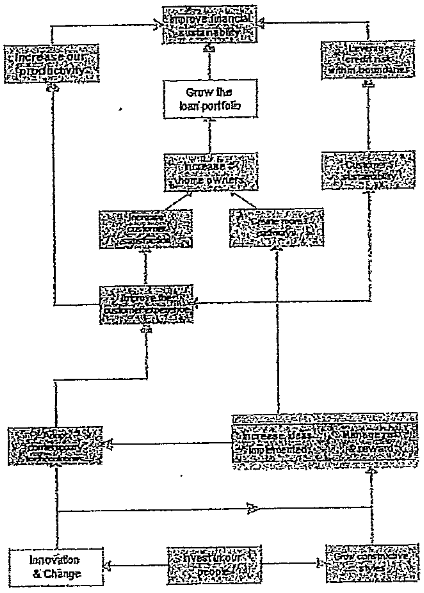
That the Board notes the progress made for the first quarter of the 2018-21 strategic plan.

Andrew Mills
Head of Strategic Development

APPENDIX A: Scorecard as at 30 September 2018

LEGEND

[% Score guide: 50–99 | = Target of 100%]



Objective	% Score	Weight	KPI	Actual	Target
FINANCIAL					
Improve financial sustainability	135%	50	Return on equity (ROE)	14.14%	9.00%
		50	Capital Adequacy Ratio	13.60%	12.00%
Increase our productivity	111%	100	Cost to income ratio	49%	54%
Leverage credit risk within boundaries	119%	50	Credit losses to portfolio value	0.12%	0.16%
		50	Cant Get Finance	86%	85%
Grow the loan portfolio	99%	100	Portfolio value ($m)	$2,134.2	$2,147.7
CUSTOMER AND COMMUNITY					
Increase # home owners	106%	100	Lending (No.)	429	406
Ensure customer $ sustainability	161%	100	Customers in Arrears (#)	1.55%	2.50%
Increase customer satisfaction	78%	50	Customer satisfaction index	91%	100%
		50	Broker satisfaction score	56%	85%
Create more ownership pathways	131%	50	New lending from pathway innovation	54%	30%
		50	New lending from partnerships	20%	25%
INTERNAL PROCESS					
Improve customer experience	89%	20	Customer service standards	96%	100%
		20	Broker Service Standards	87%	100%
		20	First time capability – internal	45%	70%
		20	First time capability – brokers	16%	40%
		20	App submitted to approval	11	6
Adopt contemporary technology	78%	50	IS progress v current year roadmap	19%	25%
		50	IS progress v transformation roadmap	4%	5%
Increase ideas implemented	161%	50	Number of experiments	5	2
		50	Continuous improvement changes (#)	10	14
Manage risk & reward	69%	50	Credit & product RAU	35%	90% - 110%
		50	Financial & operational RAU	96%	90% - 110%
LEARNING & GROWTH					
Innovation & change	90%	100	Development objective completion	72%	80%
Grow constructive styles	102%	50	PULSE engagement score	82%	77%
		50	OCI/OEI constructive style	63%	65%
Invest in our people	108%	100	% Spend L&D / Salaries	3.23%	3.00%

Board paper

Government of South Australia — HomeStart FINANCE

Agenda item: 1810.6

Topic:	Head of Strategic Development Update
From:	Andrew Mills
Date:	16/10/2018
Status:	Noting

1. Background

Following is an outline forming the basis of discussion on HomeStart's Strategic Development department.

2. Discussion

- Shared equity option
  - Performance since release
  - Customer profile versus expectations
  - Future development
- Innovation
  - Strategy development
  - Ensuring focus
  - Next steps
- Government and other partnerships
  - State Housing Authority
  - Shared equity fund proposal

3. Recommendation

That the Board notes the matters for discussion from the Head of Strategic Development.

Andrew Mills
Head of Strategic Development

HomeStart Finance

AUDIT COMMITTEE MEETING

10:30am Tuesday 16 October 2018

HomeStart FINANCE

HOMESTART FINANCE AUDIT COMMITTEE

The meeting to be held at 10.30am on Tuesday, 16 October 2018
in the HomeStart Finance Boardroom, Level 5, 169 Pirie Street, Adelaide

AGENDA

10.15am or 10.30am	Meeting with Auditor General representatives and KPMG independently of Management	
Welcome and apologies		
Conflicts of interest		
Minutes of previous meeting		
-	10th & 21st August 2018	3
-	Action List	8
Papers/Presentations		
Approval:		
1810.1	Risk Matrices	9
Noting:		
1810.2	KPMG External Audit Performance Improvement Report	16
1810.3	Risk and Incident Update	18
1810.4	Risk Management Plan Update	26
1810.5	Internal Audit – New Lending and Arrears	29
1810.6	AML/CTF/Whistleblower/Fraud Report	31
1810.7	Deloitte Reports	
	- Internal Audit Status Report	33
Any Other Business		
Next Meeting	18th December 2018	

Distribution: Sue Edwards, Chair; Chris Ward; Jim Kouts (alternate member); Cathie King; Shanti Berggren

Internal: John Oliver; David Hughes; Kay Lindley; Tricia Margrie (Minute Taker); Deb Dickson; Andrew Mills; Lyn Foster

External: Robert Huddy and Gavin Scaife, Auditor General's Department
John Evans and Kit Goh, KPMG
Elroy Todd, Heather Balster and Magdalena Jankowska, Deloitte

Government of South Australia | HomeStart FINANCE

Minutes of the Audit Committee Meeting held on Friday, 10 August 2018 in the HomeStart Boardroom, Level 5, 169 Pirie Street, Adelaide

PRESENT	Sue Edwards (Chair) Shanti Berggren (via phone) Cathie King
ATTENDEES	John Oliver David Hughes Lyn Foster Leon Watkins Gavin Scaife / Auditor-General's Department John Evans / KPMG Kit Goh / KPMG Tricia Margrie (minutes)
APOLOGIES	Jim Kouts, Robert Huddy (Auditor-General's Department)

The Chair opened the meeting at 9.00am.

CONFLICTS OF INTEREST

Nil.

APPROVAL

1808.1 Impairment Provisioning

David Hughes spoke to the paper, points to note included;

- The methodology used in 2018 is consistent with that of prior years
- The collective provision includes an overlay which allows for factors not included in the base provision
- There has been an increase in the recommended total collective provision of $752,000 from 2017, which reflects the growth in the portfolio
- Specific provision for impairment has reduced due to the sale of a number of properties

The Audit Committee approved the Provisioning Policy 2018 and resulting impairment loss provisioning as at 30 June 2018.

1808.2 Breakthrough Loans Unrealised Income

David Hughes spoke to the paper, points to note included;

- As at 30 June 2018, HomeStart had a total of 551 Breakthrough Loans with the outstanding gross book value (unadjusted for unrealised profit/loss) of $47.7 million
- The methodology used is consistent with that of prior years
- Three Shared Equity loans (new product) were settled in June 2018
- The size of HomeStart's Breakthrough Loan portfolio lends itself to the use of automated valuation models (AVMs) which can be obtained from independent providers, for a whole of portfolio approach, noting however that each property is individually assessed.

The Audit Committee approved an unrealised Breakthrough Loan profit of $0.36m be recognised in HomeStart's financial statements for the year ended 30 June 2018.

NOTING

1808.3 **Significant Accounting Decisions**

David Hughes spoke to the paper. There has been a fair value adjustment noting the average life of a loan has increased and discharges have decreased. This is due to banks tightening their lending criteria (living expenses under more scrutiny), property values and incomes not increasing, household debt remaining high and customers not prepared to change banks as regularly.

The Audit Committee noted the report.

APPROVAL

1808.4 **Certification of Draft 2017-18 Financial Statements**

David Hughes spoke to the paper, points to note included;

- Work is continuing on provisions however no major changes are expected
- Management are comfortable with the results of the work completed on derivatives
- Regarding the disclosure note associated with AASB9
  - As of June 2019 the Audit Committee will be asked to approve the economic forecast as recommended by management
  - The new AASB9 provisioning model devised with EY has been completed and excludes items not relevant to HomeStart i.e. credit cards etc.
  - The new collective provision model supporting AASB9 suggests an increase (before tax equivalents) of approximately $1m
  - This new model will be moved into the data warehouse for use next year
  - Fair value assessments of financial instruments (Breakthrough Loans) under AASB9 have been done on a loan by loan basis suggesting an minor increase ($0.4m) in carrying value
  - Whilst all transition work is yet to be finalised, management are comfortable with the current status
- The Committee noted the obvious improvement in credit performance of the portfolio over the year
- A minor wording amendment was suggested and adopted
- John Evans confirmed the audit is substantially completed and KPMG have met with management regarding minor matters; no substantive changes are expected
- The Chair congratulated HomeStart management for the great result this year.

The Audit Committee recommends the Chairman of the Board signs the Certification of the Draft Financial Statements for the year ended 30 June 2018.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 9.28am.

NEXT MEETING

The date of the next Audit committee meeting is Tuesday, 21 August 2018, commencing at 10:30am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

SUE EDWARDS
CHAIR
HOMESTART FINANCE

/ / 20

Minutes of the Audit Committee Meeting held on Tuesday, 21 August 2018 in the HomeStart Boardroom, Level 5, 169 Pirie Street, Adelaide

PRESENT	Sue Edwards (Chair) Shanti Berggren Cathie King
ATTENDEES	John Oliver David Hughes Kay Lindley Deb Dickson Lyn Foster Robert Huddy / Auditor-General's Department Gavin Scaife / Auditor-General's Department Elroy Todd / Deloitte Brad Wright / Deloitte John Evans / KPMG Kit Goh / KPMG Tricia Margrie (minutes)

The Chair opened the meeting at 10.30am.

CONFLICTS OF INTEREST

Nil.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 19 June 2018 were confirmed as an accurate record.

Financial Management Compliance Program (FMCP) – approved via circular resolution on 16 July 2018.

ACTION LIST

1804.2 FMCP Review – completed.

1706.8 AASB9 – addressed under Agenda Item 1808.1.

1804.1 Treasury Policy #1 – The derivative limit of $600m has been changed and authorised by ALCO to now be limited to 150% of the total derivative exposure. - Completed.

1806.2 Compliance Policy – confirmation of indemnity clause in LexusNexus supply agreement – Kay Lindley confirmed that LexusNexus does not have an indemnity clause and as such, it is up to HomeStart how to interpret the information they supply.

APPROVAL PAPERS

1808.1 2017-18 Financial Statements

David Hughes informed the Committee that no changes had been made to the numbers since the 10 August 2018 meeting. Slight amendments have been made to some disclosure notes at the request of KPMG, this has also led to changes in comparatives for those items.

John Evans stated no changes were required and KPMG have now completed their audit. Robert Huddy stated the Auditor General awaits a letter from KPMG prior to final sign off.

The Chair thanked the Finance team for their work on the 2017-18 financial statements.

The Audit Committee approved the Financial Statements as presented and recommended the accounts for approval by the Board at its September 2018 meeting, subject to final audit clearance.

10.36am John Evans, Kit Goh, Robert Huddy and Gavin Scaife left the meeting.

<u>NOTING PAPERS</u>

1808.2 Management Representation Questionnaire (MRQ) CEO

John Oliver confirmed minor wording changes were made to the MRQ his year. At the Audit Committee's suggestion both Deloitte and KPMG were asked for input on the wording of the MRQ and it was concluded the current wording was appropriate.

The Audit Committee noted the paper.

1808.3 Business Continuity Test Results

Kay Lindley spoke to the paper noting the test, which used a plausible scenario i.e. flooding, provided a number of lessons learned, actions to be taken and questions to be reviewed, notwithstanding HomeStart's maturity level is still young. Feedback from employees involved stated it was a good process. Following the implementation of the test findings, another test will be undertaken in approximately six months.

The Audit Committee noted the paper.

1808.4 Risk and Incident Update

Kay Lindley informed the Committee vendor contracts are recorded in Protecht and are listed on a contracts register. The Information Services team are currently in the process of reviewing all IT contracts and are also putting in place contracts with third party vendors who access our systems.

Discussion was held regarding changing the control effectiveness of the risk 'Government restricts borrowing' from ineffective to partially effective given the relationships built between management and the government; it was agreed this will be reviewed pending the outcome of the outstanding Borrowing Limit increase request..

The Audit Committee noted the paper.

1808.5 Risk Management Plan Update

It was highlighted that some work is on hold pending the commencement of new team members; legal work is currently being outsourced for completion.

The Audit Committee noted the paper.

1808.6 Internal Audit – New Lending and Arrears

It was noted that following the integration of BankSA in-house, there will be no further independent audits conducted for BankSA as this will now fall under the HomeStart internal audit. An alternative audit style i.e. forward looking is being currently investigated.

The Audit Committee noted the paper.

1808.7 **AML/CTF/Whistleblower/Fraud Report**

The Audit Committee noted the paper.

1808.8 **Deloitte – Data Quality & Business Intelligence Report**

Brad Wright spoke to the report. Points to note included;

- There are three key objectives that must go right in relation to data quality and business intelligence (BI) –
  - BI is adequate to support business needs
  - BI is efficient and timely
  - Data risk is considered at each stage of its life cycle
- There were two findings of low risk –
  - Data governance framework
  - Data risk management
- HomeStart's maturity level is consistent with that of similar sized organisations
- Management have taken on board the findings and will be undertaking the recommendations including the expansion of the BI Policy to include all appropriate business data
- The 2018-19 Internal Audit Plan will now commence; the first audit will be the Customer Communication/Marketing review
- The Chair requested that an audit plan status update be included with future reports from Deloitte

The Audit Committee noted the report.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 11.38am.

The Committee met in camera with the Chief Financial Officer.

NEXT MEETING

The date of the next Audit committee meeting is Tuesday, 16 October 2018, commencing at 10:30am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

SUE EDWARDS
CHAIR
HOMESTART FINANCE

/ / 20

Audit committee action list

16/10/2018

Agenda No.	Action Required	Date Raised	Expected Completion Date	Person Responsible
1706.8	AASB 9 – implementation of new model (bimonthly update)	20/6/2017	October 2018	David Hughes
	LARA Restructure - update	21/08/2018	October 2018	Kay Lindley

Audit committee paper

Government of South Australia HomeStart FINANCE

Agenda item: 1810.1

Topic:	Risk Matrices
From:	Kay Lindley
Date:	16/10/2018
Status:	Approving

1. Background

The risk matrices drive the rating of operational risk, incidents and audit items and are an integral part of the system, providing an expression of risk appetite. The current risk matrices (Appendix 1 – Existing Risk Matrices) used to rate risks and incidents were last comprehensively reviewed in 2016. As flagged in the last review a major change to the strategic plan would be the trigger to undertake a recalibration of the matrices.

2. Discussion

An external risk management consultant was engaged to assist with the review, facilitating a workshop with the Executive team and a Board representative. The Legal & Risk Assurance team continued to engage the Executive team to develop and refine the proposed matrices (Appendix 2 – Proposed Risk Matrices).

A summary of changes:

- The risk rating table (a reflection of risk appetite) was recalibrated, reducing the number of risk ratings from five to four with the removal of "very low" category. It was felt that the four remaining categories ("low", "moderate", "major" and "extreme") provided the right level of granularity. The resulting redistribution of residual risk ratings is attached (Appendix 3- Residual Risk Rating Distribution- Current vs Proposed).

- The likelihood table was changed significantly, reflecting experience over the prior two years. Feedback was received that the existing likelihood table was difficult to interpret. The scale of the likelihood table was also better suited for rating strategic risks not operational risks, for example the previous typical likelihood of a risk occurring was considered "almost certain" if it were to occur once per year and "possible" if every 2-3 years. It is proposed that a likelihood of daily is considered "almost certain", and monthly is "possible".

- The consequence table had a number of changes based on learnings and experience. The financial category was aligned with financial delegations, business disruption category was aligned with business impact analysis and the CEO's expectations of when an incident was to be notified. Data breaches were added to the regulatory category, and the reputation category was expanded to include social media coverage.

- It was also agreed that risk incidents would be rated solely using the consequence table. Previously a rating was determined by multiplying likelihood and consequence, but this added a layer of complexity.

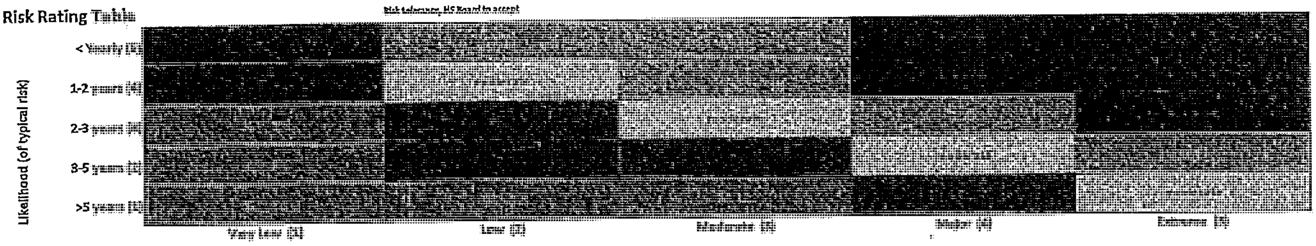
3. **Recommendation**

That the Audit Committee recommend the revised Risk Matrices for approval to Board.

Kay Lindley
Chief Risk Officer

Appendix 1: Current Risk Matrices

Risk Rating Table



Consequence (of typical risk)

CATEGORIES	[illegible]	[illegible]	Moderate	[illegible]	[illegible]
$	>$ - 10k	>$10-50k	>$50k-$100k	>$100k-$<1m	$=>1m
Customer Satisfaction	Adversely affecting <30 of portfolio/customers	Adversely affecting >30-100 of customers	Adversely affect on >100-500 of customers	Sudden loss of 3-5% of the portfolio Adverse impact on 500-1000 customers	Irreparable impact on one or more customer's prospects through mismanagement Sudden loss of 5% of the portfolio for any reason
BCM/Service capability	Unplanned system downtime <1hour	Unplanned system downtime >1 hour and <2 hours	Assess invoking Disaster Recovery or Business Continuity Plan Assessing invocation of Crisis Communication Plan	Disaster Recovery or Business Continuity Plan invoked for single system or division. Crisis Communication Plan invoked	Disaster Recovery or Business Continuity Plan invoked for multiple systems or divisions
Strategic/Reputation	Unplanned impact on SD1 Project <10% change in $ or benefit	Unplanned impact on SD1 Project >10-20% change in benefit or cost where cost is <$50-<$80k or if > 20% and less than $50k	External criticism directed at organisation or staff Complaint to CEO Unplanned impact on SD1 Project >20-30% change in benefit or cost where cost is >$80-<$150k low key negative media impact on morale	Major restructure - all divisions. Unplanned impact on SD1 Project >30-50% change in benefit or cost where cost is >$150k to <$250k Government change of priorities and support for HomeStart Complaint to Chairman	Significant political development adversely affecting HomeStart Adverse state media coverage Unplanned impact on SD1 project >50% change in benefits or cost where the cost of project is >$250k Product ban
Regulatory/Legal	Breach of non critical legislation Not reportable No fines	Systemic breach of non critical legislation Not reportable No fines Breach reported by customer	Reportable breach with potential fines.	Reportable systemic breach with potential fines Potential regulator intervention. Regulator investigation.	Breach of legal compliance resulting in bad press. Complex legal case. Enforceable undertaking Regulator intervention/class action Fraud with enforceable undertaking.
People/WHS	First aid treatment or minor medical treatment Internal fraud without $ loss	Injury at work or on duty resulting in 1-2 weeks lost time Internal Fraud dismissal with $ loss	Injury at work or on duty resulting in >2-4 weeks lost time Internal investigation, multiple employees, regardless of $ and bad press. Inappropriate recruitment decisions leading to industrial action. Assess invoking Security Response	Unplanned loss of Chairman Multiple injuries or impairment to one or more persons at work. Multiple instances of bullying and harassment	Death or disablement at work or on duty. Unplanned loss of CEO Security Response invoked

Consequence rating of the typical risk incident, i.e. not worst case scenario.

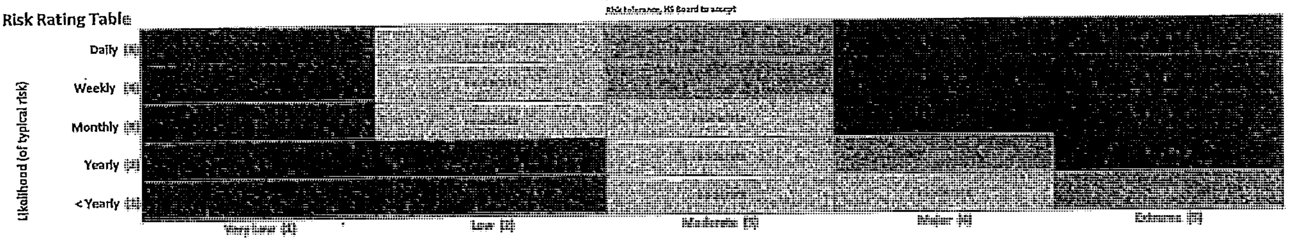
ESCALATION TABLE

	Incidents/ Events				[illegible]				
Level	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Board Tolerance
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Outside of Tolerance
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Within Tolerance, managed by Business Units
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

*All internal Frauds are reported to board regardless of level
** To BCP Coordinator if BC is invoked
If incident/ risk is WH&S related or involves a data breach then HO P&P to be notified.
All incidents/ Events to be reported within two business days.

Appendix 2: Proposed Risk Matrices

Risk Rating Table



Consequence (of typical risk)

CATEGORIES	[illegible]	[illegible]	Moderate	[illegible]	[illegible]
Financial	$5k - $50k loss.	> $50k - $100k loss.	> $100k - $500k loss.	> $500k - $1.5m loss.	>$1.5m loss.
Customer/ Partner Service	2-49 customers (and potential customers/ leads) adversely impacted.	50-99 customers adversely impacted.	100 customers but less than 5% of the total number of customers adversely impacted. Formal complaint by partner.	5%-10% of the total number of customers adversely impacted.	>10% customers adversely impacted.
Business Disruption	An internal or external event causing loss of service capability for a customer facing service < 1 hour	Maximum allowable outage exceeded for 1 business process/ service as per Business Impact Analysis. An internal or external event causing loss of service capability for a customer facing service > 1 hour.	Maximum allowable outage exceeded for multiple business processes/ services.	BCP, DR or Crisis Comms plan invoked.	BCP/ DR invoked for multiple systems/ divisions. Inability to recover critical system. Business Critical Vendor failure/closure.
Regulatory/ Legal	Isolated breach of internal policy or non-critical legislative (not reportable).	Systemic breach of internal policy or non-critical legislation (not reportable). Data breach not reportable to customer.	Breach of critical legislation where breach discovered internally (potentially reportable & possible fines). Data breach reportable to customer.	Systemic breach of critical legislation or breach of critical legislation where breach identified by external party, resulting in visit from regulator or likely fines payable (refer Financial column). Data breach reportable to customers and regulator with potential fines.	Large scale systemic breach resulting in extreme customer impact, reputation damage &/or fines (in line with consequence categories). Loss of credit licence. Complex litigation/ class action.
Reputation	Customer complaint unable to be dealt with within normal course of business leading to increased risk of CIO/ AFCA attention.	Complaint to CEO/ Minister, CIO/ AFCA initial review. Social media adverse impact to 1 platform resulting in 1 or more of: - Receives engagement (comments) from less than 30 people - Reaches less than 5,000 people - Able to be resolved (no further engagement) within 24 hours	CIO/ AFCA investigation. Social media resulting in 1 or more of: - Adverse impacts to <=2 social media platforms - Receives engagement from less than 30-99 people - Reaches less than 20,000- 50,000 people - Able to be resolved within 48 hours	CIO/ AFCA determination Government change of priorities and support for HomeStart. Adverse impacts on more than 1 social media platform and at least 1 traditional media Social media adverse impact resulting in 1 or more of: - Receives engagement from > 100 people but <149 people - Reaches more than 50,000 - Able to be resolved within one week	Significant political development adversely affecting HomeStart. Traditional media resulting in one or more of: - National adverse media coverage across multiple mediums (tv, radio, paper &/or internet) for > 1 week. Social media resulting in 1 or more of: - Adverse impacts to multiple social media platforms - Receives engagement from ≥150 people - Reaches more than 100,000 - Resolution ongoing
People	Injury requiring medical treatment or lost time > 1 day. Any internal investigation resulting in formal warning due to serious breach of internal policy. External damage / multiple security alarms activated.	Injury requiring hospitalisation or lost time > 1 week. Internal investigation resulting in dismissal or any investigation into fraud/ misconduct/ breach of code of ethics. Minor break in/ police attendance. Security response invoked.	Injury caused to one or more employees or lost time > 1 month. Unplanned loss of multiple employees in 1 business unit impacting on achievement of strategic objectives. North/ south branch not operational.	Unplanned loss/ absence of an Executive and/ or multiple senior/ key employees impacting on achievement of strategic objectives. Internal investigation into systemic fraud/ misconduct or a senior/ key employee.	Single or multiple fatalities and/ or permanent injury caused to employee. Unplanned loss of an Executive and/ or multiple senior/ key employees impacting on achievement of strategic objectives.

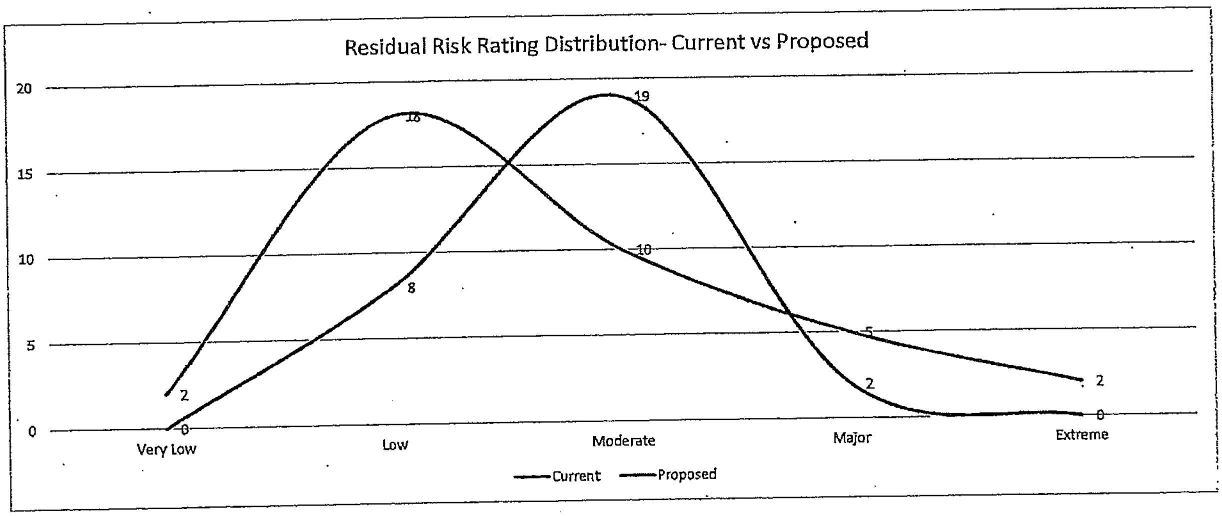
* financial: loss includes opportunity cost, as well as unplanned increased in expenditure.
* customer: customers defined as existing customers and leads (potential customers)
* reputation: "engagement" = likes/ dislikes/ comments, "resolved" = no further active engagement.
Consequence rating of the typical risk incident . i.e. not worst case scenario.

Escalation Table

	Risk Incidents				Risks				
Level	Urgency for Treatment	Root Cause Analysis	Escalation / Notification	Reporting	Treatment	Escalation / Notification	Reporting	Acceptance	Board Tolerance
[illegible]	Immediate	Yes	CRO to Notify CEO & HO, CEO to notify Board, **BCP Coordinator	New and Open Incidents to Board, Audit & Executive	Immediate	CRO to Notify CEO & HO, CEO to notify Board, **BCP Coordinator	All Residual Risks to Board, All Risks to Audit, New Risks to Executive	Board	Outside of Tolerance
Major	Immediate	Yes	CRO to Notify CEO & HO, **BCP Coordinator	New and Open Incidents to Board, Audit & Executive	Within 3 months	CRO to Notify CEO & HO, **BCP Coordinator	All Residual Risks to Board, All Risks to Audit, New Risks to Executive	[illegible]	
Moderate	As soon as practical	At discretion	LARA to Notify CEO & HO, **BCP Coordinator	Executive	Within 6 months	LARA to Notify CEO & HO, **BCP Coordinator	New Risks to Executive	Head of [illegible]	Within Tolerance, managed by Business Units
[illegible]	As soon as practical	No	People Leaders	Executive	Within [illegible] months	People Leaders	New Risks to Executive	People Leaders	
[illegible]	As soon as practical	No	People Leaders	Executive					

*All Internal Frauds are reported to board regardless of level
** To BCP Coordinator if BC is invoked
If incident or risk is WH&S related then HO P&P to be involved
All incidents to be reported within two business days.

Appendix 3: Residual Risk Rating Distribution- Current vs Proposed



Audit committee paper

Government of South Australia HomeStart FINANCE

Agenda item: 1810.2

Topic:	KPMG External Audit Performance Improvement Report
From:	David Hughes
Date:	16/10/2018
Status:	Noting

1. Background

Each year the auditors, contracted by the Auditor-General to conduct HomeStart's external audit, provide HomeStart Finance with an Interim Performance Improvement Report followed by a final Performance Improvement Report as required, which set out opportunities for improvement within HomeStart's internal control environment.

2. Discussion

Following the conclusion of its 2017-2018 interim audit work, KPMG issued an Interim Performance Improvement Report, which was considered by the Audit Committee at its meeting in June 2018.

Two new control matters were identified by KPMG as follows:

1. Loan status remained as "open" in LendFast after settlement. This matter is currently being addressed by management and is expected to be completed by mid-November 2018.
2. Inconsistencies of payment authorisers between Westpac Online and the Register of Delegations. This matter was addressed and resolved by management with the Register of Delegations being updated and changes approved at the Executive meeting on 30 May 2018. **Matter resolved**

There is one unresolved issue to report from the current year performance improvement observations.

The current status of the unresolved issue raised in the prior year (2016-2017) performance report are as follows:

1. Testing of the Business Continuity and Disaster Recovery Plan not undertaken for more than three years - The Business Continuity and Disaster Plan testing was completed in August 2018. **Matter resolved.**

3. **Recommendation**

That the Audit Committee notes:

- The current status of issues raised by the external auditors in the Interim Performance Improvement Report
- No further issues were identified by the external auditors in the course of the year-end audit work and so a final Performance Improvement Report will not be issued.

David Hughes
Chief Financial Officer

Audit committee paper

HomeStart FINANCE
Government of South Australia

Agenda item: 1810.3

Topic:	Risk and Incident Update
From:	Kay Lindley
Date:	16/10/2018
Status:	Noting

1. Background

The Audit Committee Charter (section 7) calls for the Committee to "Review HomeStart management's establishment and operation of an organisation-wide risk management system..."

2. Discussion

In accordance with this responsibility - and in line with the current Board approved escalation matrix - the following risk and incident updates are provided to the Audit Committee.

2.1 Appendix 1 – Risk Profile Report

2.2 Appendix 2 – New and Open Incidents - Major and Extreme Incidents

2.3 Appendix 3 – Residual Risks - Major and Extreme Risks

2.4 Appendix 4 – Inherent Risks - Major and Extreme Risks

2.5 Appendix 5 – Audit Tasks past Original Due Date

The information presented is based on the current approved risk matrices and escalation table, as at the end of September.

3. Recommendation

That the Audit Committee notes the following risk and incident updates.

Kay Lindley
Chief Risk Officer

Appendix 1 - Risk Profile Report

As at: 01 Oct 2018

Inherent Risk

	1 - Very Low	2 - Low	3 - Moderate	4 - Major	5 - Extreme
5 - Almost Certain	[illegible]	[illegible]	[illegible]	0	1
4 - Likely	[illegible]	[illegible]	[illegible]	1	0
3 - Possible	[illegible]	[illegible]	[illegible]	[illegible]	3
2 - Unlikely	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1 - Rare	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Likelihood Vs Consequence

	Very Low	Low	Moderate	Major	Extreme
Inherent Risk	[illegible]	[illegible]	12	[illegible]	5

Residual Risk

	1 - Very Low	2 - Low	3 - Moderate	4 - Major	5 - Extreme
5 - Almost Certain	[illegible]	[illegible]	[illegible]	1	0
4 - Likely	[illegible]	[illegible]	[illegible]	0	0
3 - Possible	[illegible]	[illegible]	[illegible]	[illegible]	1
2 - Unlikely	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1 - Rare	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Likelihood Vs Consequence

	Very Low	Low	Moderate	Major	Extreme
Residual Risk	[illegible]	[illegible]	10	[illegible]	2

Appendix 2 - New and Open Incidents - Major and Extreme
As at: 01 Oct 2018

HomeStart FINANCE

Date Occured	Business Unit	Board Summary	Causes of Incident	Likelihood	Consequence	Overall Rating

Nil.

Appendix 3 - Residual Risks - Major and Extreme

As at: 01 Oct 2018

Business Unit	Risk Name	Risk Description	Inherent Risk Rating	Controls	Control Effectiveness	Residual Risk Rating
Information Services	Loss of HomeStart Data	Loss of HomeStart data caused by inefficient system integration leading to lack of productivity.	Extreme	IS Transformation- core systems stream	Partially effective	Major
HomeStart	Change in Government Policy	Change in government policy setting caused by change in Government/ government priorities leading to impact on business viability.	Extreme	Charter; Performance Statement; Financial targets; Review of HomeStart strategy; Operating parameters	Ineffective	Extreme
Strategic Development	Government Restricts Borrowing	Government restricts borrowing caused by change in operating parameters leading to impact on business viability.	Major	Operating parameters; ALCO oversight; Treasury Reports	Ineffective	Major
Legal & Risk Assurance	Internal Policy Breach	Internal policy breach caused by failure to follow internal process and/ or policy leading to $ fines, reputational damage, adverse finding by regulatory authority.	Major	Employee compliance training; Employee induction; Employee attestation to policy compliance	Ineffective	Major
CFO	Process Not Followed	Process not followed caused by unclear/ unmapped or no standard processes leading to reduced productivity.	Major	Policy and Procedure Project; Employee training; Internal Policies and Procedures	Ineffective	Major
Information Services	Cybercrime	Cybercrime caused by hacking, malicious act leading to loss of confidential data.	Extreme	Video training from IT regarding cybersecurity; Penetration testing; Cyber risk assessment	Ineffective	Extreme
People & Performance	Unsafe Workplace	Unsafe workplace caused by altercation between employee/s, customers, contractors or visitors. Leading to WH&S claims leading to $ losses, injury or death.	Extreme	WH&S Guidelines; Additional Security controls, alarms; Security Officer and Incident Response; Aggressive customer training	Partially effective	Major

Appendix 4 - Inherent Risks - Major and Extreme

As at: 01 Oct 2018

HomeStart FINANCE

Government of South Australia

Business Unit Name	Risk Name Name	Risk Description	Inherent Risk Rating	Controls	Control Effectiveness	Residual Risk Rating	Next Review Date
Legal & Risk Assurance	External Fraud	External fraud caused by collusion between third parties and/ or customer leading to $ Loss.	[illegible]	Employee fraud awareness training; Audits of our processes.	[illegible]	[illegible]	29/05/2019
Information Services	Loss of HomeStart Data	Loss of HomeStart data caused by inefficient system integration leading to lack of productivity.	Extreme	IS Transformation- core systems stream	Partially effective	Major	29/05/2019
HomeStart	Change in Government Policy	Change in government policy setting caused by change in Government/ government priorities leading to impact on business viability.	Extreme	Charter; Performance Statement; Financial targets; Review of HomeStart strategy; Operating parameters	Ineffective	Extreme	29/11/2018
Strategic Development	Government Restricts Borrowing	Government restricts borrowing caused by change in operating parameters leading to impact on business viability.	[illegible]	Operating parameters; ALCO oversight; Treasury Reports	Ineffective	[illegible]	29/05/2019
Information Services	System Downtime	System downtime caused by infrastructure failure leading to loss of productivity	[illegible]	Security and technical training; IT employees are given induction training.; CQR testing annually; Product Service Agreements; Hot site; Backups; DR plan	Partially effective	Moderate	29/05/2019
Facilities	Unauthorised Entry to Property	Unauthorised entry to property caused by alarm not armed due to lack of employee/ contractor training leading to theft/ malicious damage of HomeStart assets.	[illegible]	Employee training; Additional Security controls, alarms; Security system monitored by third party	[illegible]	[illegible]	29/05/2019
People & Performance	Hazardous Workplace	Hazardous workplace caused by cluttered/ untidy workplace, poor building design, poor maintenance leading to $ losses.	[illegible]	Induction for contractors & cleaners; WH&S Guidelines; Full time Facilities Officer; Tag & Test; Training; Hazard- Workplace inspection	Partially effective	Moderate	29/05/2019
Strategic Development	Products Misunderstood	Products misunderstood caused by product complexity/ products specifications do not align with approved product design leading to regulatory intervention, poor customer/ broker experience.	[illegible]	Credit Policy Committee approves changes to products where it affects policy.; Exec Committee overviews the project charter	Partially effective	Moderate	29/05/2019
CFO	Unable to Generate Business Reports	Unable to generate business reports caused by source systems allowing unexpected inputs (not sufficient controls) leading to inability to run standard reporting causing delayed business decisions.	[illegible]		[illegible]	[illegible]	29/05/2019
Strategic Development	HomeStart's Market Eroded	HomeStart's market eroded caused by existing/ new competitors mirroring our products leading to failure to meet sales forecasts.	[illegible]	Marketing plans created annual; Exec assess loan multiples; Undertake quarterly review of market offerings.;	Partially effective	Moderate	29/05/2019

Business Unit Name	Risk Name Name	Risk Description	Inherent Risk Rating	Controls	Control Effectiveness	Residual Risk Rating	Next Review Date
Strategic Development	HomeStart's Market Eroded	HomeStart's market eroded caused by existing/ new competitors mirroring our products leading to failure	[illegible]	Board signs off of strategies.; Quarterly reviews of lending multiple	Partially effective	Moderate	29/05/2019
Legal & Risk Assurance	Internal Policy Breach	Internal policy breach caused by failure to follow internal process and/ or policy leading to $ fines, reputational damage, adverse finding by regulatory authority.	[illegible]	Employee compliance training; Employee induction; Employee attestation to policy compliance	Ineffective	[illegible]	29/05/2019
CFO	Process Not Followed	Process not followed caused by unclear/ unmapped or no standard processes leading to reduced productivity.	[illegible]	Policy and Procedure Project; Employee training; Internal Policies and Procedures	Ineffective	[illegible]	29/05/2019
Retail	Misrepresentation from Brokers about HSF Products	Misrepresentation from brokers about HSF products caused by lack of training leading to regulator scrutiny and $ loss.	[illegible]	Monitoring and direct intervention pre—approval; Careful selection and approval for special products; Specific training modules; Follow up post approval from HomeStart	Partially effective	Moderate	29/05/2019
Retail	Realisations Process Delayed	Realisations process delayed caused by ineffective internal complaints handling process leading to increased credit losses.	[illegible]	Review of complaints by LARA; Monthly arrears review	Partially effective	Moderate	29/05/2019
Legal & Risk Assurance	Extended Business Disruption (exceed Max. Allowable Outage)	Extended business disruption (exceed Max. Allowable Outage) caused by critical system failure and lack of incident response capacity leading to inability to service customers/ brokers & $ losses.	[illegible]	DR and BCP Plan; Testing of BCP; Half yearly review of BCP review procedures	Partially effective	Moderate	29/05/2019
CFO	Business Decisions Made on Incorrect Information	Business decisions made on incorrect information caused by failure to test and review & unclear ownership leading to $ Loss & scrutiny by regulators.	[illegible]	Data warehouse review; Data enabled to users in a read only format through Reporting Services and Excel add-in providing self service reporting capabilities to general users.; Business Rules are document and signed off by business and tested by owner to ensure confidence in data.	[illegible]	[illegible]	29/05/2019
Legal & Risk Assurance	Vendor Fails to Fulfil Contractual Obligations	Vendor fails to fulfil contractual obligations caused by contract or relationship mismanagement leading to business disruption, impact on customer service.	[illegible]	Vendor management; Contract management	Partially effective	Moderate	29/05/2019
Information Services	Cybercrime	Cybercrime caused by hacking, malicious act leading to loss of confidential data.	Extreme	Video training from IT regarding cybersecurity; Penetration testing; Cyber risk assessment	Ineffective	Extreme	29/11/2018
People & Performance	Unable to Meet Demand	Unable to meet demand caused by illness, industrial action, unplanned absences, unpredicted demands on Retail team leading to business disruption, impact on customer service, delivery of projects, strategic objectives	[illegible]	Employee engagement and morale; Agency employees; Workplace flexibility; People leaders sending home sick employees; Cross skilling; Address resource shortages, cross-skilling of existing employees for short-term assignments; Counselling, RUOK awareness, wellbeing program; Flu vaccinations; Monitoring of queues and take up by Sales Leader	Partially effective	Moderate	29/05/2019
People & Performance	Unsafe Workplace	Unsafe workplace caused by altercation between employee/s, customers, contractors or visitors. Leading to WH&S claims leading to $ losses, injury or death.	Extreme	WH&S Guidelines; Additional Security controls, alarms; Security Officer and Incident Response; Aggressive customer training	Partially effective	[illegible]	29/05/2019
Legal & Risk Assurance	Data Breach	Data Breach caused by hacking, leaking or inadvertently disclosed data leading to reputational	Extreme	Business requirements to ensure IT signoff; Prior consideration of where data is stored consistent with Privacy	[illegible]	Moderate	29/05/2019

Business Unit Name	Risk Name Name	Risk Description	Inherent Risk Rating	Controls	Control Effectiveness	Residual Risk Rating	Next Review Date
Legal & Risk Assurance	Data Breach	damage and $ loss.	Extreme	principles. Ensuring secured, encrypted SSL/TLS connections are adequate. Identify volumne of data expected to be collected at any given time. At conclusion of period of time all personal information is removed from cloud service and save on HS servers.	Effective	Moderate	29/05/2019

Appendix 5 - Outstanding Audit Tasks by Due Date

As at: 01 Oct 2018

HomeStart FINANCE

[redacted]

Audit committee paper

Government of South Australia HomeStart FINANCE

Agenda item: 1810.4

Topic:	Risk Management Plan Update
From:	Kay Lindley
Date:	16/10/2018
Status:	Noting

1. Background

The Risk Management Plan provides visibility to HomeStart of the Risk Management strategy, this includes new developments and risk related continuous improvement projects, developing methodologies and tools for risk management purposes.

This paper provides an update of achievements against the Risk Management Plan, including what is in focus for the upcoming bi-monthly period. This does not include business as usual items.

[redacted]

[redacted]

3. **Recommendation**

The Audit Committee note the risk management plan tasks in focus for the next two months. Current resourcing is reduced however these items will be addressed when resourcing is in place.

Kay Lindley
Chief Risk Officer

Audit committee paper

Agenda item: 1810.5

Topic:	Internal Audit - New Lending and Arrears July & August 2018
From:	Kay Lindley
Date:	16/10/2018
Status:	Noting

1. Background

The purpose of the new lending, arrears, realisations and security packet audit is to ensure policy compliance is being adhered to and help identify learning and educational opportunities.

2. Discussion

	C Grade	High Risks	Observations/ Comments
New Lending	0	0	
Security Packets	0	0	
Arrears	0	0	
Realisations	0	0	

With the completion of the Bank SA integration, effective May 2018, there is no further independent audits conducted for Bank SA. Their new lending, arrears and security packet portfolio will now fall under the HomeStart Retail group.

3. Recommendation

The Audit Committee notes the new lending and arrears findings for the hindsight compliance audit for July and August 2018.

Kay Lindley
Chief Risk Officer

Internal Audit Findings for the Past 12 months

[redacted]

Audit committee paper

HomeStart FINANCE

Government of South Australia

Agenda item: 1810.6

Topic:	AML/CTF Whistleblower/Fraud Report
From:	Kay Lindley
Date:	16/10/2018
Status:	Noting

1. Background

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) legislation requires HomeStart to implement an AML/CTF program that specifically deals with the initial customer identification, ongoing employee and customer due diligence, the monitoring and reporting of suspicious transactions that have been made to loan accounts and the investigation of fraud related incidents.

2. Discussion

AML/CTF Suspicious Matter Incident Reporting

39 suspicious matter incidents were reported to AUSTRAC for the period 1 Aug – 30 Sept. The most likely offence to which these suspicious matters related was:

Money laundering	
Suspicious Matter Incident Reporting – Potential Offence against a Commonwealth, State or Territory law (E.g. Social security fraud)	39
FHOG	
Suspected tax evasion	

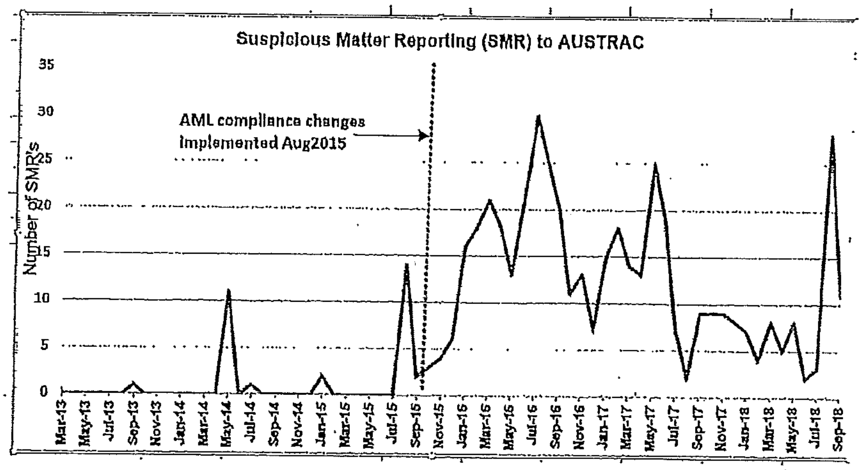
Whistleblowers Reporting

There has been no known disclosure of information by a HomeStart employee pursuant to the Whistleblowers Protection Act 1993 (SA) for this period.

Fraud Incidents

HomeStart's Fraud Governance Control Officer has advised there were 3 suspected fraud related matters requiring further investigation for this period highlighted via the Equifax Fraud Match reporting portal which HomeStart receives for new lending applications and also loan applications provided by HomeStart's Loan Assessors. One of these matters involved non-disclosure of personal debts. As a result, this applicant has been listed with the Equifax Fraud Focus Group database.

Suspicious Matter Reporting – historical volumes by HomeStart



It should be noted that the peak in August can be in part attributed to the resignation of the AML officer in early July 2018 and the catch up for that unactioned period and that we had cause to report on the same borrowers on 5 separate occasions.

HomeStart as a reporting entity are required to report to AUSTRAC any suspisious matters. In the case of these borrowers, seperate transactions have presented intermitedly over this period, we adhere to this requirement by reporting as they present.

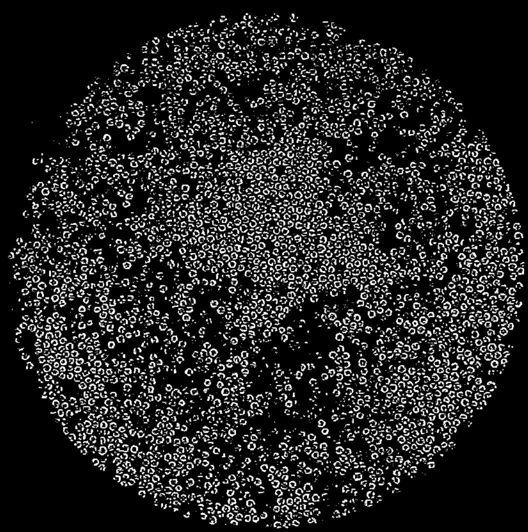
These borrowers were reported on the following dates with the following amounts 29/8/18 $25,000, 5/9/18 $40,000, 7/9/18 $39,000, 10/9/18 $37,000 and 12/9/18 $34,000.

3. Recommendation

That the Audit Committee notes the number of AML/CTF/Whistleblower/Fraud reports for the period 1 August 2018 to 30 September 2018.

Kay Lindley
Chief Risk Officer

Deloitte.



HomeStart Finance

Internal audit status report

October 2018

Internal audit update summary – Close out of FY18

Purpose

The purpose of this slide is to indicate that the FY18 internal audit plan has been delivered and all reports tabled at the Audit Committee.

Internal audit review	Status	Commentary	Findings				
Business continuity management & IT disaster recovery (IT DR)	Completed	Tabled at the October 2017 Audit Committee		4	2	3	9
End to end lending	Completed	Tabled at the December 2017 Audit Committee			1	7	8
Governance of new product development	Completed	Tabled at the April 2018 Audit Committee				2	2
Data quality and business intelligence	Completed	Tabled at the August 2018 Audit Committee				2	2
Penetration testing	Completed	Tabled at the October 2017 Audit Committee			7	10	17
Management of fixed interest rate hedge exposure and treasury reporting	N/A	Project to be conducted in FY19					
FY19 internal audit plan	Completed	Refresh of internal audit plan tabled at June 2018 Audit Committee					

Extreme

Major

Moderate

Low & Very Low

Internal audit update summary – FY19

Purpose

The purpose of this document is to provide an overview of internal audit activity for FY19 and an update on the status of internal audit findings to date.

Internal audit activity

The table below provides an overview of the status of projects included in the internal audit plan for FY19. The timing of projects is in line with the schedule approved by the Audit Committee.

Internal audit review	Status	Commentary	Findings				
Customer communication / marketing review	In progress	To be tabled at the Dec Audit Committee. Verbal update to be provided at Oct meeting.					
Workplace health and safety framework	Not yet commenced	Scoping to commence shortly					
Management of fixed interest rate hedge exposure and treasury reporting	Not yet commenced	Scoping to commence shortly					
Risk culture and conduct	Not yet commenced	Scoping to commence shortly					
ISMF		Quarter 3					
Broker management		Quarter 4					
FY20 internal audit plan		Refresh of internal audit plan					

Extreme

Major

Moderate

Low & Very Low

Inherent Limitations

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report is intended solely for the information and internal use of [redacted] in accordance with our official order dated 13 July 2017, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than for our work, for this report, or for any reliance which may be placed on this report by any party other than [redacted]

Confidential - this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

HomeStart Finance

ASSET & LIABILITY COMMITTEE

9.00am Tuesday 16 October 2018

Government of South Australia HomeStart FINANCE

1810

HOMESTART ALCO

The meeting to be held at 9.00am on Tuesday, 16 October 2018
in the HomeStart Finance Boardroom, Level 5, 169 Pirie Street, Adelaide

AGENDA

Welcome and apologies – Andrew Kennedy

Conflicts of interest

Minutes of previous meeting
- 18th September
- Action List

Economic Update

SAFA Update

Papers/Presentations

Noting:

1810.1	Treasury Reports – September 2018
1810.2	Asset Quality Reports - September 2018
1810.3	Population Estimates – March Quarter 2018

Any Other Business

Close

Distribution:

	Chris Ward, Deputy Chair (ALCO Chair)* Carmel Zollo, member*	Darryl Royans, member* Jim Kouts (alternative member)
External:	Andrew Kennedy, Director, Treasury Services – SAFA Don Munro, Manager, Client & Advisory Services - SAFA	
Internal:	John Oliver* David Hughes* Tricia Margrie (minute taker)	Deb Dickson Leon Watkins

* ALCO member

HomeStart FINANCE

Government of South Australia

Minutes of Asset & Liability Committee Meeting held on Tuesday, 18 September 2018 in the HomeStart Boardroom, Level 5, 169 Pirie Street, Adelaide

PRESENT	Chris Ward (Chair) Darryl Royans Carmel Zollo John Oliver David Hughes
ATTENDEES	Deb Dickson Leon Watkins Andrew Kennedy (SAFA) Don Munro (SAFA) Tricia Margrie (minutes)

The Chair opened the meeting at 9.00am.

CONFLICTS OF INTEREST

Nil.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 21 August 2018 were confirmed as an accurate record.

ACTION LIST

No items were due.

ECONOMIC UPDATE

David Hughes spoke to the circulated document "Economic Update – September 2018" and provided a general economic update. Points to note included;

- David Hughes attended a Westpac breakfast last Thursday with guest speaker Bill Evans; who believes the RBA will keep the cash rate on hold until 2020 due to a combination of the US dollar putting pressure on the Australian dollar and consumer spending remaining high
- Wholesale rates remain high, however have stabilized
- The South Australian housing marketing remains steady, however the concern remains consumer spending that has outpaced income growth for many years now
- In trend terms, the South Australian unemployment rate increased marginally from 5.6% to 5.7%, still a marked improvement on last year's 6.0%
- Whilst Australia's population growth of 1.7% is very strong compared to other developed economies, South Australia remains very low at 0.6%

SAFA UPDATE

Andrew Kennedy provided an update on market conditions. Points to note included;

- Andrew noted that Adelaide's population growth is 1.7%, in part due to immigrants who remain in regional centres for the minimum required time, then move to cities (primarily Melbourne and Sydney)

- Following the release of the State Budget on 4 September, SAFA have updated their portfolio to accommodate the Government's $1.4b future infrastructure spending program; SAFA accessed markets in September and will do so again in November 2018, February and May 2019
- Markets are very busy with $1.7b corporate supply of funds since 1 August 2018; there is also a strong current interest in paper, the government is now offering bonds to 2050
- Geopolitical volatility continues to be the biggest economic concern; the American President is due to announce a 10% tax on $10b worth of China imports shortly
- There is a tightening of liquidity markets globally

1809.1 Standard Variable Loan Interest Rate Increase

The paper was circulated via email to the ALCO Committee on 6 September 2018.

ALCO approved the paper via circular resolution.

1809.2 Standard Variable Rate Effective Date

Following approval of the increase to the standard variable rate and during the preparation for implementation, it was determined that a more appropriate effective date would be 24 September 2018, not 25 September as indicated in the paper. As a result, all public communication has been prepared with the effective date of 24 September 2018.

ALCO approved the effective date of 24 September 21018 for the increase to the Standard Rate.

1809.3 Treasury Reports – August 2018

Leon Watkins spoke to the paper. Points to note included;

- Margins are still well below the levels of early this calendar year, however the increase to the variable rate will improve margins
- The level of debt refinancing over the next twelve months increased to 30% with the August 2019 maturity now within twelve months
- Based on the operating outlook, net borrowing of $175m is required over the next twelve months, and in addition, pre commitments may see the current borrowing limit exceeded earlier than this

ALCO noted the report.

1809.4 Asset Quality Reports – August 2018

Leon Watkins spoke to the paper. Points to note included;

- Write-offs have been volatile with the effect of the high volume for July being offset in August which had only one loan loss; at this stage September is expected to also be below average
- Arrears continue to improve, however seasonal influences are expected to have an impact in September
- Five new potential shortfalls were added for August totalling $321,509 net
- The new shortfall reports were noted, additional information will be included next month

ALCO noted the report.

1809.5 Arrears Analysis Report

Leon Watkins spoke to the paper. Points to note included;

- Broker loans are showing better arrears outcomes overall compared to the benchmarks
- Some results for older loans have been much higher but these are on low volumes and therefore have greater volatility but low significance in terms of the overall portfolio

- While arrears have been higher for Low Deposit and Nunga, this has been more than offset by lower arrears for Graduate loans
- For loans by purpose, construction loans (over the last 5 years) and refinance loans have performed better than established loans.

ALCO noted the report.

1809.6 Stress Testing (Loan by Loan) as at June 2018

David Hughes spoke to the paper. Points to note included;

- Using data warehouse reports, we stress our existing portfolio using a number of variables, namely interest rate, CPI and property growth, against a control group; these variables are the key drivers for potential capitalization and LVR greater than 100%
- Scenario 3 – Interest rate up by 3%, CPI up by 2% and property price up by 1% is considered to be an unlikely set of market conditions
- A broader spread of testing variables i.e. average loan value, will be used for the next stress test

ALCO noted the report.

1809.7 Economic Update – GDP & State Final Demand

The paper was included for information and was taken as read.

ALCO noted the report.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 9.50am.

NEXT MEETING

The date of the next Asset & Liability committee meeting is Tuesday, 16 October 2018, commencing at 9:00am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

CHRIS WARD
CHAIR
HOMESTART FINANCE

/ /20

ALCO action list

HomeStart FINANCE

16/10/2018

Agenda No.	Action Required	Date Raised	Completion Date	Person Responsible
1809.5	Graduate Loan Arrears Trends Anaylsis	18/09/2018	November 2018	Leon Watkins

ALCO committee paper

Agenda item: 1810.1

Topic:	Treasury Reports – September 2018
From:	David Hughes
Date:	16/10/2018
Status:	Noting

1. Discussion

Funding Update
Net borrowings increased by $9.9m in September and new swaps totalling $7m were settled to hedge fixed rate lending.

The current funding strategy is to:
- Finance new borrowings through working capital and look for opportunities to restructure short term debt into FRNs
- Continue to undertake swaps to manage the position on fixed rate lending.

Summary of funding at the end of September 2018

Funding	Rate	Margin	G/fee	Total	Value
Working capital	1.84%	0.06%	1.36%	3.26%	287,357,617
Short term debt	1.84%	0.06%	1.36%	3.26%	-
FRN	2.15%	0.06%	1.54%	3.75%	1,647,000,000
Total	2.10%	0.06%	1.51%	3.68%	1,934,357,617

Cash and swap rate forecasts

Cash rate	*Dec '18*	*Mar '19*	*Jun '19*	*Sep '19*	*Dec '19*
ANZ	1.50	1.50	1.50	1.75	2.00
CBA	1.50	1.50	1.50	1.50	1.75
NAB	1.50	1.50	1.75	1.75	2.00
WBC	1.50	1.50	1.50	1.50	1.50
SAFA	1.50	1.75	2.00	2.00	2.00
HomeStart	1.50	1.50	1.50	1.75	1.75
Reuters poll	1.50	1.50	1.50	1.50	1.75

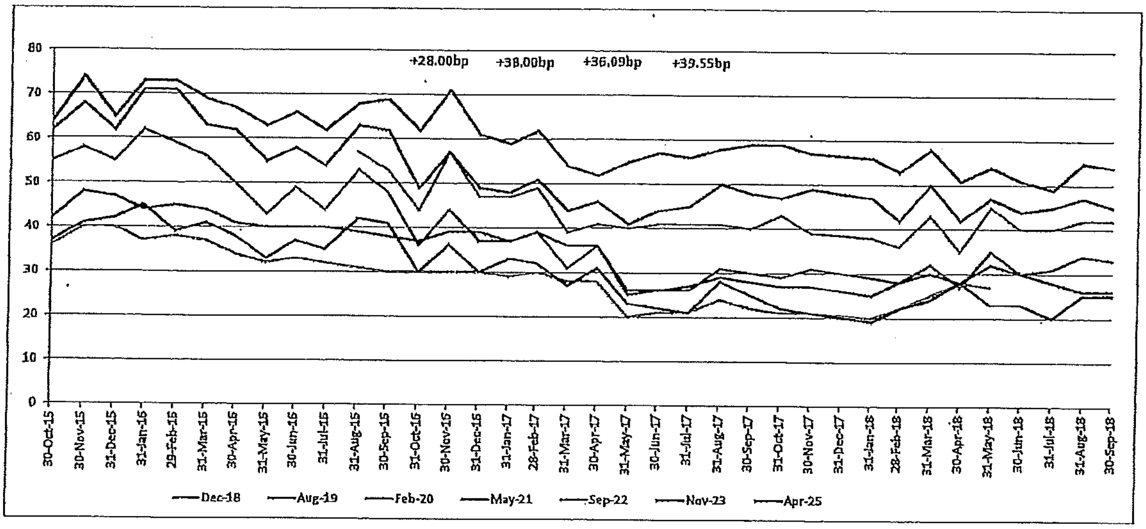
Forecast movements are highlighted.

3 yr swap	*current*	*Dec '18*	*Mar '19*	*Jun '19*	*Sep '19*	*Dec '19*
SAFA	2.11	2.50	2.75	3.00	3.00	3.00
HomeStart		2.00	2.10	2.20	2.25	2.35

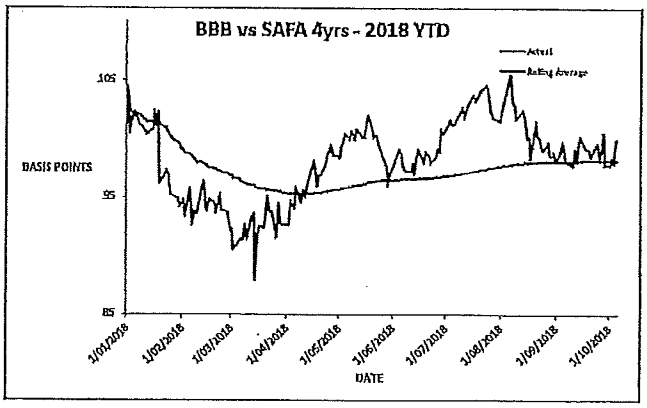
Changes to HomeStart's mortgage rates over the period

	Start	Rate	Date	Rate	Date	Rate
Variable*	1 Sep	5.24	24 Sep	5.39		
1yr fixed	"	5.19				
2yr fixed	"	5.39				
3yr fixed	"	5.49				

SAFA FRNs - TRADED MARGIN TO BBSW



	Latest Semi	Qtrly	Monthly
08-Aug-19	-2	16	25
24-Feb-20	-1	17	26
20-May-21	8	25	33
22-Sep-22	17	34	42
20-Nov-23	22	38	45
15-Aug-24	30	45	52
16-Apr-25	32	47	54
20-Jul-26	39	53	59
20-Sep-27	43	56	62
24-May-28	45	57	63

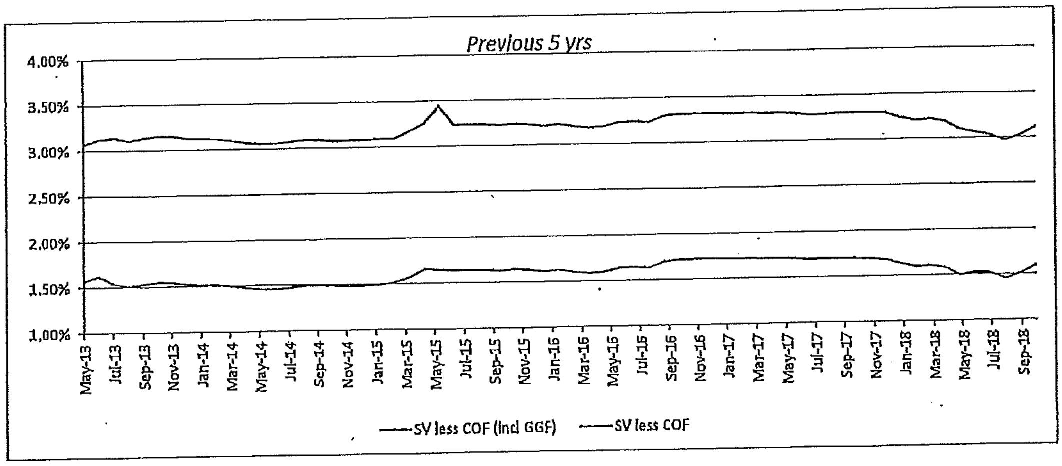


Average spreads by calendar year:

2016	2.033%
2017	1.356%
Q1 2018	0.954%
Q2 2018	0.982%
Q3 2018	1.008%
2018 YTD	0.982%

Cost of Funds

Margins have improved with the standard variable rate increase (part month, effective from 24 September) and stabilisation of the 30 day BBSW.



HomeStart Portfolio Summary

The reset period for loan assets is at 20 days compared to 15 days for funding.

A total of $7m new swaps were settled during September 2018 to hedge fixed rate loans:
. $4m maturing in 1 year @ 1.90% (average)
. $2m maturing more than 1 and up to 2 years @ 1.91%
. $1m maturing more than 2 and up to 3 years @ 1.98%

$4.1m of the uncovered amount for fixed rate positions relates to projected maturities at 11 months or less.

As at 30 September 2018			
Physical Deals	**Assets**	**Swaps**	**Variance**
Up to 1 year to repricing (variable rate)	1,890,255,594		n/a
Up to 1 year to repricing (fixed rate)	117,504,065	112,000,000	5,504,065
More than 1 year, up to 2 years	102,042,283	101,500,000	542,283
More than 2 years, up to 3 years	25,663,139	25,000,000	663,139
More than 3 years, up to 4 years	6,111,355	7,000,000	- 888,645
More than 4 years, up to 5 years	4,285,486	5,000,000	- 714,514
More than 5 years	10,429,832	9,000,000	1,429,832
Fixed rate total	**266,036,159**	**259,500,000**	**6,536,159**
Total	**2,156,291,753**		
Average rate	**5.0700%**	**2.4026%**	
Average reset days	**20.2**		

Physical Deals - Liabilities			
Short-term debt		287,357,617	
06-Aug-2019 FRNs	[+28.00bp]	300,000,000	
24-Feb-2020 FRNs	[+38.00bp]	275,000,000	
20-May-2021 FRNs	[+36.09bp]	550,000,000	
22-Sep-2022 FRNs	[+39.55bp]	522,000,000	
Total		**1,934,357,617**	
Average rate		**2.1684%**	
Guarantee fee		**1.5135%**	
Short-term debt		587,357,617	**30.36%**
Long-term debt		1,647,000,000	
Average reset days		**15.3**	
Weighted average term to maturity		**2.2**	

HomeStart's Derivative Limit is currently $399.1m

Market Value Report

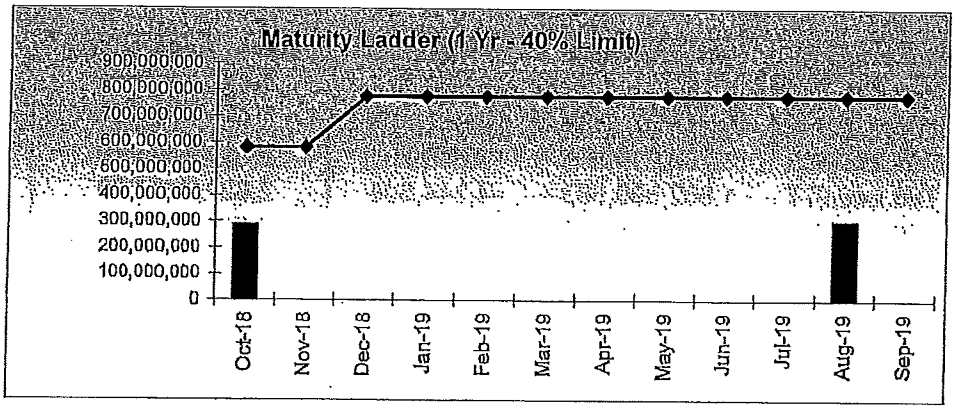
The market position improved with market traded margins increasing for debt maturities apart from 2020.

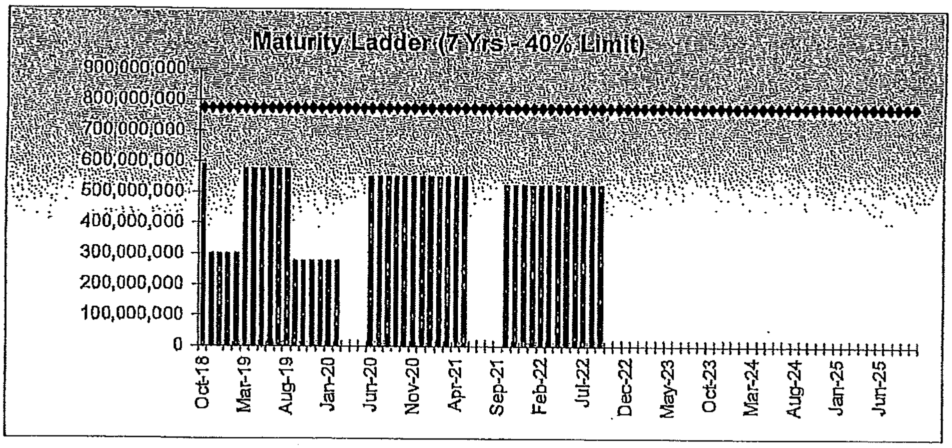
Historical Market Value of Physical Debt

Period	Book Value	Market Value	Profit/(Loss)	Asset Book Value
Sep-2018	1,762,638,799	1,766,518,121	-3,879,322	1,986,405,113
Oct-2018	1,769,020,465	1,773,571,463	-4,550,998	1,995,871,093
Nov-2018	1,784,368,403	1,789,016,605	-4,648,202	2,010,802,870
Dec-2018	1,798,246,077	1,802,590,583	-4,344,506	2,022,248,878
Jan-2019	1,806,410,059	1,811,718,873	-5,308,814	2,036,207,934
Feb-2019	1,818,963,143	1,823,558,979	-4,595,836	2,048,429,554
Mar-2019	1,836,934,849	1,838,311,145	-1,376,296	2,063,086,857
Apr-2019	1,850,921,897	1,854,278,540	-3,356,642	2,083,957,033
May-2019	1,868,621,880	1,870,879,021	-2,257,141	2,099,471,625
Jun-2019	1,899,547,643	1,901,876,014	-2,328,370	2,116,345,235
Jul-2019	1,912,663,884	1,915,002,466	-2,338,581	2,133,802,944
Aug-2019	1,926,412,923	1,928,533,357	-2,120,434	2,146,497,718
Sep-2019	1,936,089,638	1,937,698,923	-1,609,285	2,156,291,753

Refinancing Profile

Working capital increased by $9.9m to $287.4m at month-end. The level of debt refinancing over the next 12 months is 30.4% including the August 2019 maturity.





Current level of short term debt is $587.4M or 30.4% of total borrowings

Bank Balance ($m)

	This month	Last month
Monthly Average	2.46	2.31
High	4.32	3.88
Low	1.27	0.61

WCF Balance ($m)

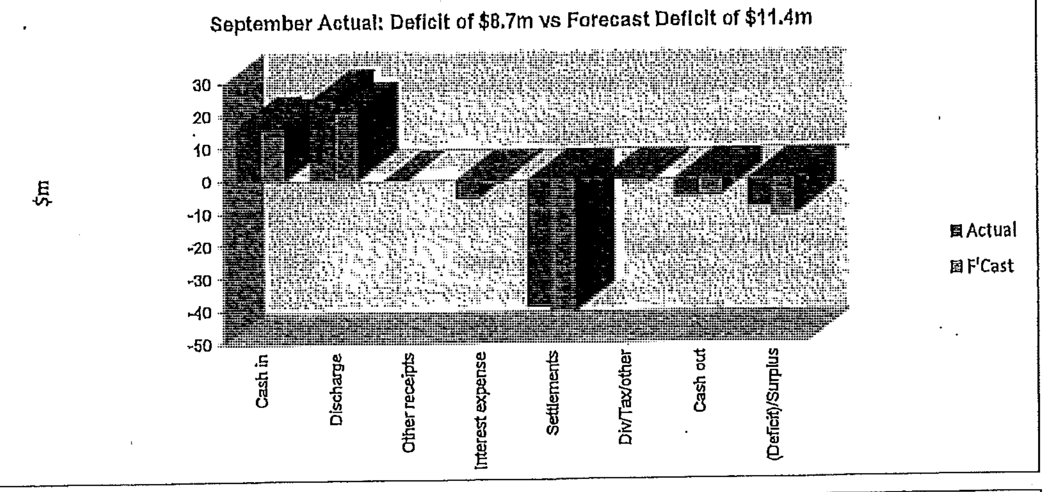
Monthly Average Rate	1.900%	1.900%
Monthly Average	283.32	269.86
High	290.05	279.40
Low	277.50	263.74

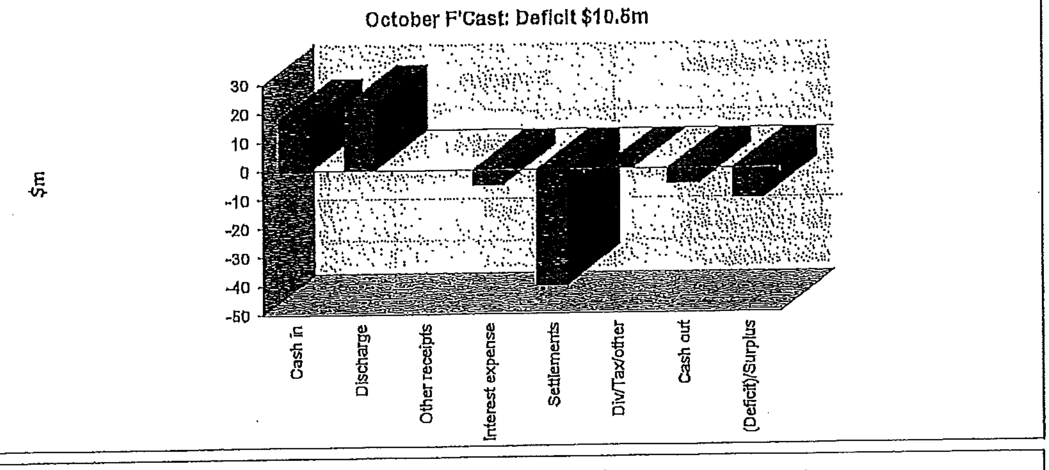
Borrowing limit ($m)	2105.0	2105.0
Actual borrowings ($m)	1934.4	1924.5
Unused limit ($m)	170.6	180.5

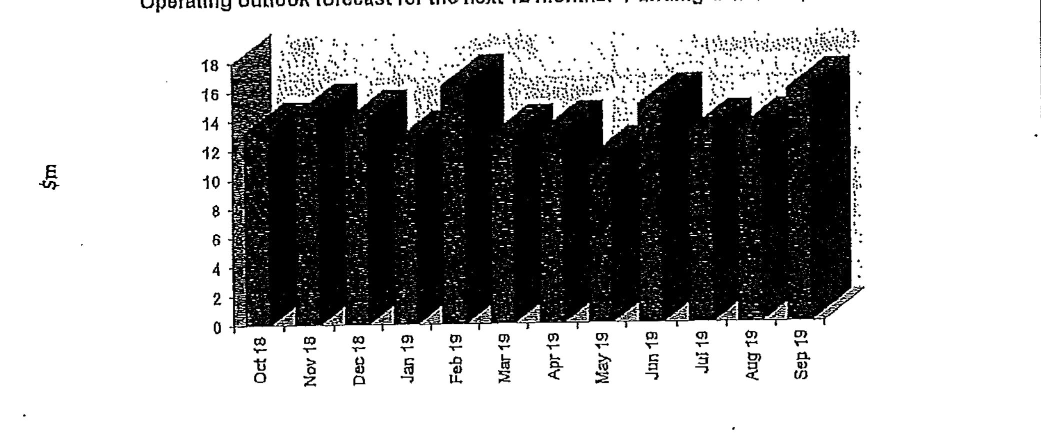
Cash Management Liquidity Graphs

The net funding requirement for the month was below forecast due to an increase in the level of loan discharges.

The bottom graph shows a net borrowing requirement of $166m over the next 12 months based on the operating outlook. This would increase total debt to $2.100b.







2. Compliance

All policies were complied with as at 30 September 2018.

Based on the current working capital amount, the refinancing over rolling 12 months would exceed 40% from February 2019. Part of this balance is expected to be restructured prior to this time.

Category	Sub Category	Limit	Position	Policy
Borrowing limit		$2.105b	$1.934b	Strategic Operating Parameters
Borrowings	Fixed interest rate debt – maximum maturity	15 years	n/a	Treasury Policy 1
Borrowings	Floating rate debt – maximum maturity	15 years	4.0 years	Treasury Policy 1
Borrowings	Short-term borrowings – maximum maturity	365 days	1 day	Treasury Policy 1
Derivatives	Value - % exposure	150%	97.5%	Treasury Policy 1
Derivatives	FRAs – maximum time to settlement	6 months	n/a	Treasury Policy 1
Derivatives	FRAs – maximum tenor	6 months	n/a	Treasury Policy 1
Derivatives	Futures - maximum maturity	12 months	n/a	Treasury Policy 1
Swaps	Fixed rate assets - maximum maturity	5yrs	2.9yrs	Treasury Policy 1
Swaps	Shared equity - maximum maturity	15yrs	10.7yrs	Treasury Policy 1
Refinancing	Next 12 mths - maximum % debt	40%	30.6%	Treasury Policy 4
Refinancing	Rolling 12mths - maximum % debt	40%	29.7%	Treasury Policy 4
Refinancing	Current and next month	30%	14.9%	Treasury Policy 4
Refinancing	Daily maximum *	$100m	$0	Treasury Policy 4
Short-term debt	Minimum level	Amount required to cover net expected cash in-flows	$278m	Treasury Policy 6

* Excludes FRN select lines & working capital

3. Standing Data

Average APRA Risk Weight (3yr Avg)	60.5%	No change
Capital Adequacy (3yr Avg)	12.8%	No change
Cost of Capital	9%	No change
Capital Reprice Period (days)	30	No change
Variable rate loan – issue margin	0.3602	No change

4. Recommendation

That the ALCO Committee notes the treasury reports for September 2018.

David Hughes
Chief Financial Officer

ALCO committee paper

Agenda item: 1810.2

Topic:	Asset Quality Reports - September 2018
From:	David Hughes
Date:	16/10/2018
Status:	Noting

1. Background

The commentary and attachments provide a monthly report of loan asset performance. The benchmark used in projected write-off levels and benchmarks are actuary based loss projections, including a prudential margin[1].

2. Discussion

Credit loss report

The credit loss report provides a comparison of projected and actual losses based on time since origination. The following is a summary total of the detailed report for September with comparisons to last year's result for the full year.

($m)	*Total LYR*	*Sep18*	*YTD*
Write-offs (gross)	$3.743	$0.091	$0.534
Actuary expected	$3.009	$0.225	$0.677
Actual to expected	124.4%	40.4%	78.8%

Losses in the last two months have been low following a high amount in July and are currently more than 20% below the actuary projected year-to-date level.

[1] A prudential margin has been included since 2011 and is currently 25%

HomeStart Finance - Credit Loss Report

[redacted]

ALCO committee paper

Arrears activity

Arrears have continued to improve with a significant reduction for the month in the 30+ days level to 1.51%. The seasonal result is also well down on the prior months following a rise in this measure in August. The 90+ days moving average again improved to 0.77%.

All movements - arrears percentages in loan value terms

RTV Arrears for September 2018

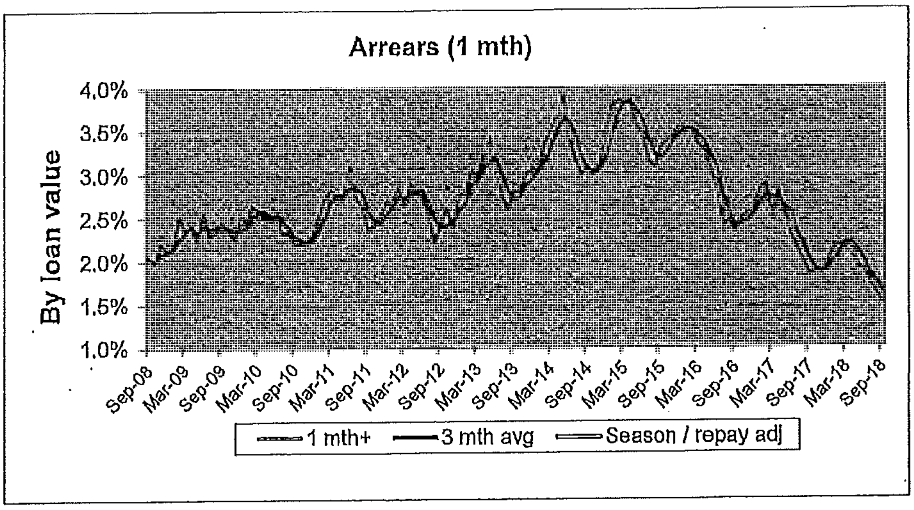
% Arrears by Value	2018 Jun	2018 Jul	2018 Aug	2018 Sep
30+ Days Arrears	1.86%	1.73%	1.62%	1.51%
30+ Days Moving Avg	2.00%	1.84%	1.74%	1.62%
% Loans w/Extra Payment	30.61%	9.42%	51.23%	0.68%
Seasonal Factor	0.9796	1.0302	1.0873	1.0667
30+ Day Season/ Adj	1.89%	1.79%	1.84%	1.61%
90+ Days Arrears	0.84%	0.79%	0.75%	0.76%
90+ Days Moving Avg	0.86%	0.82%	0.79%	0.77%

Shifts in number of loans by months of instalments in arrears

Months In Arrears	2018 Jun	2018 Jul	2018 Aug	2018 Sep	
0	287	291	244	282	
1	94	78	73	64	
2	32	32	29	32	
3	22	22	19	17	
4	14	13	12	13	
5	6	13	11	11	
6	4	2	7	2	
7	10	2	1	10	
8	4	6	4	2	
>8	37	36	37	37	
All	510	495	437	470	
>=3	97	94	91	92	
MIP	22	20	22	21	
MIP and >=3	22	19	19	21	

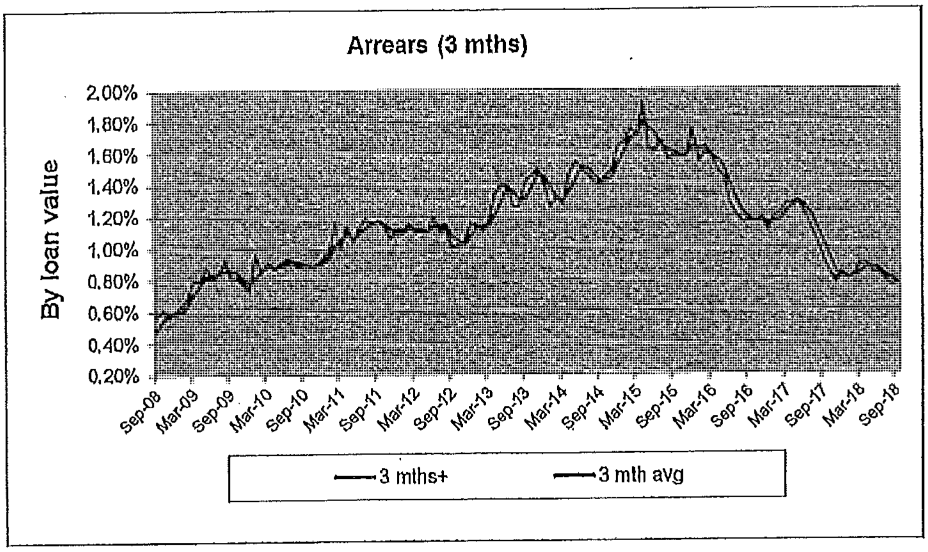
Key movements for the last month:

- Loans 1 month and over decreased by 5; total arrears numbers were up by 33
- The number of loans 3 months and over in arrears increased by 1.



Extra fortnightly/weekly repayments

Month	*Days*	*%*	*3 mth roll*	*Seas factor*	
Jul-18	Su,Mo,Tu	9.4%	70%	1.0302	
Aug-18	We,Th,Fr	51.2%	91%	1.0873	
Sep-18	Sa,Su	0.7%	61%	1.0667	
Oct-18	Mo,Tu,We	15.5%	67%	1.0722	Projected
Nov-18	Th,Fr	49.0%	65%	1.0581	
Dec-18	Sa,Su,Mo	6.0%	71%	1.0073	
Jan-19	Tu,We,Th	27.5%	83%	0.9664	
Feb-19		0.0%	34%	0.9150	
Mar-19	Fr,Sa,Su	28.3%	56%	0.9510	



Write-off and realisation reports

Write-offs ($) [2]	*LYR*	*Sep18*	*CYR*
Loans realised (no)	71	4	12
Write-offs ($) - gross	$3,742,881	$91,041	$533,625
Average gross	$52,717	$22,760	$44,469
Actuary projected w/offs [3]	$3,009,086	n/a	$2,714,766
Balance remaining	$0	n/a	$2,181,141
Remaining balance/mth	--	n/a	$242,349
Potential shortfalls - net	$1,106,852	$1,045,975	n/a
Potential shortfall no.	22	21	n/a

There was 4 realisation for the month at a total loss of $91,041 (2 loans had no shortfall).

Three new potential shortfalls were added for September totalling $131,934 net ($143,373 gross) with net potential shortfalls as at September at $1,045,975 (up from $953,081).

3. Recommendation

That the ALCO Committee notes the asset quality reports for September 2018.

David Hughes
Chief Financial Officer

[2] Includes voluntary sales
[3] Gross for the full year, determined on the actuary projected loss levels plus prudential margins

HomeStart Finance - Confidential Report
Write offs
for September 2018

[redacted]

Potential Current Shortfall Report

[redacted]

Loan No	Paper Date	Retailer	Street Name	Suburb	Contract Typ	Amount	Reason	Loan Start Date

[redacted]

Loan No	Paper Date	Retailer	Street Name	Suburb	Contract Typ	Amount	Reason	Loan Start Date
[redacted]								

POPULATION ESTIMATES March quarter 2018

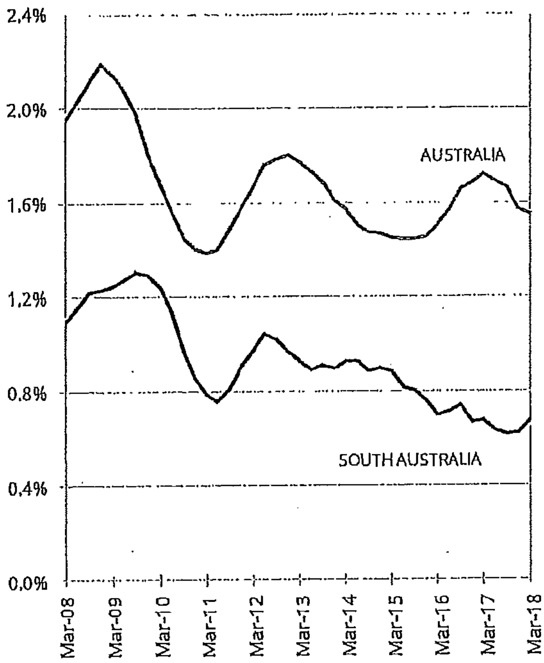
SUMMARY

- During the year to March 2018, South Australia's Estimated Resident Population (ERP) increased 0.7% (or 11,600 persons) to 1,733,500 people.
- Nationally, the ERP increased 1.6% to 24,899,100 people.

FURTHER ANALYSIS

South Australia's population rose by 0.3% during the March quarter 2018, to be 0.7% higher than a year ago. Nationally, population rose by 0.5% in the March quarter 2018 and was 1.6% higher than a year earlier—see Chart 1.

CHART 1: ANNUAL POPULATION GROWTH



Population growth over the year by jurisdiction, from highest to lowest was: Victoria (2.2%), the ACT (2.1%), Queensland (1.7%), New South Wales (1.4%), Tasmania (1.0%), Western Australia (0.8%), South Australia (0.7%) and the Northern Territory (0.1%).

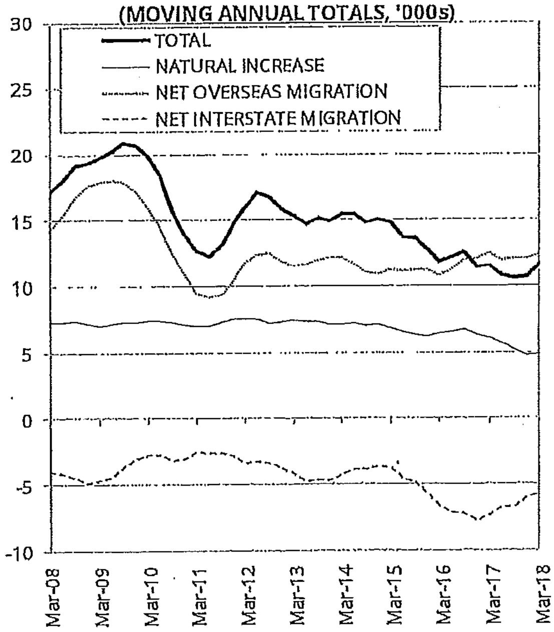
TABLE 1: Estimated Resident Population

	Mar 18	Mar 18 vs Mar 17	Mar 18 vs Mar 17
	('000)	('000)	%
NSW	7,955.9	113.1	1.4
VIC	6,430.0	137.4	2.2
QLD	4,990.7	83.3	1.7
SA	**1,733.5**	**11.6**	**0.7**
WA	2,591.9	21.2	0.8
TAS	526.7	5.3	1.0
NT	246.7	0.3	0.1
ACT	419.2	8.5	2.1
AUS*	**24,899.1**	**380.7**	**1.6**

*Includes Christmas Island, the Cocos Islands and Jervis Bay.

In the 12 months to March 2018 the largest contribution to South Australia's population growth came from net overseas migration, which totalled 12,400 persons, down 0.2% from the previous 12 months. Natural increase over the period totalled 4,900, down 20% from the previous 12 months. In the year to March 2018, there was a net interstate outflow of 5,700 people from South Australia, 23% lower than in the previous 12 months—see Chart 2.

CHART 2: COMPONENTS OF SOUTH AUSTRALIAN POPULATION CHANGE (MOVING ANNUAL TOTALS, '000s)



Next release of ABS cat. no. 3101.0 is 20 December 2018