The Hon Rob Lucas MLC

Government
of South Australia

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TRS19D2886

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* (the Act), dated 17 October 2019.

Your application seeks access to:

> *"All minutes, briefings and correspondence titled 'HomeStart Finance – HomeStart Finance Board Meeting – March 2019' as described on the Objective document management system, between 23 February 2019 and 17 October 2019."*

The prescribed legislative timeframe to determine this application has expired and is now deemed to have refused you access to 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 2 documents were identified as answering the terms of your application.

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

Document Released in Full

Document 1

Document released in part

Document 2 is released in part.

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 7(1)(c).

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. This is similar to specific people working for Deloitte. Their names have been redacted accordingly.

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 7 – Documents affecting business affairs concerning

(1) A document is an exempt document—
  (b) if it contains matter—
    (i) consisting of information (other than trade secrets) that has a commercial value to any agency or any other person; and
    (ii) the disclosure of which—
      (A) could reasonably be expected to have an adverse effect on those affairs or to prejudice the future supply of such information to the Government or to an agency; and
      (B) would, on balance, be contrary to the public interest; or

  (c) if it contains matter—
    (i) consisting of information (other than trade secrets or information referred to in paragraph (b)) concerning the business, professional, commercial or financial affairs of any agency or any other person; and
    (ii) the disclosure of which—

(A) *could reasonably be expected to have an adverse effect on those affairs or to prejudice the future supply of such information to the Government or to an agency; and*
(B) *would, on balance, be contrary to the public interest.*

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 Act.

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.

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

Yours sincerely

Rob Lucas

Hon Rob Lucas MLC
Principal Officer

6 March 2021

Att.

Schedule of Documents

TRS19D2886 - HomeStart Finance Board Meeting - March 2019

Doc. No.	Date	Description of Document	# of pages	Determination Recommendation	Exemption Clause	Reason
1	25/05/2020	HomeStart Finance Board Meeting - March 2019	2	Released in full		
2		Attachment to Document 1	126	Released in part	6(1) - Unreasonable disclosure of personal affairs	
					7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest	

RELEASE

10/4/19
T19/644.
TR519D0807.

Government of South Australia

HomeStart FINANCE

MINUTES forming ENCLOSURE to

Critical Deadline	
Routine	

TO: **HON ROB LUCAS, TREASURER – HSM1904.2**

RE: **HOMESTART FINANCE BOARD MEETING – MARCH 2019**

Monthly reports – February 2019

- Total Settlements (including Home Equity and Redraw) were $34.6 million.
- Discharges were 152 loans worth $18.9 million.
- YTD profit before tax was $14.5 million.
- Capital adequacy was 13.2%.
- Return on Equity was 13.15%.

Board Charter
Board approved the paper.

Audit Charter and ALCO Charter and Credit Sub-Committee Charter
Board approved the paper.

Register of Financial Authorisations 2019 (RoFA)
Board approved the paper.

Core Logic MFAA February 2019
Board noted the paper.

Realisations – February 2019
Board noted the write-offs.

Brand Strategy Review
Board noted the paper.

Retail Update
Board noted the paper.

John Oliver
CHIEF EXECUTIVE
HomeStart Finance

9/04/2019

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	

RELEASE IN PART

2

HomeStart Finance

BOARD MEETING

1:00pm Tuesday 19 March 2019

Government of South Australia

HomeStart FINANCE

1903

HOMESTART BOARD

The meeting to be held at 1.00pm on Tuesday, 19 March 2019
In the HomeStart Finance Boardroom, Level 5, 169 Pirie Street, Adelaide

AGENDA

Welcome and apologies

Conflicts of interest

Minutes of previous meeting
- 19th January 2019 (Teleconference)
- 19th February 2019
- Action List

Minutes of previous Committee meetings
- ALCO Committee minutes; 19th February 2019
- Audit Committee minutes; 19th February 2019
- HomeStart Economic Overview

1903.1 CEO Report – February 2019

Papers/Presentations

Approval:
1903.2 Board Charter
1903.3 Audit Charter and ALCO Charter and Credit Sub-Committee Charter
1903.4 Register of Financial Authorisations 2019 (RoFA)

Noting:
1903.5 Core Logic MFAA February 2019 (for information)
1903.6 Realisations February 2019
1903.7 Brand Strategy Review with Showpony
1903.8 Retail Update including Methamphetamine Testing (Deb Dickson)

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
Martine Welfare – Minutes Secretary
Andrew Mills
David Hughes
Maree McAuley

Minutes of Board Meeting held on Tuesday, 19 February 2019
In the HomeStart Boardroom, Level 5, 169 Pirie Street, Adelaide

PRESENT	Jim Kouts (Chair) Sue Edwards Chris Ward Darryl Royans Carmel Zollo Shanti Berggren Cathie King
ATTENDEES	John Oliver (CEO) Martine Welfare (Minutes) Adam Pamula (DTF)
APOLOGIES	None

The Chair opened the meeting at 1.00pm.

CONFLICTS OF INTEREST

There were no new conflicts of interest disclosed.

CHAIR UPDATE

The Chair updated the meeting on his recent discussions with the Minister in early February.

MINUTES OF PREVIOUS MEETINGS

The minutes of the Board meeting 18 December 2018 were confirmed as an accurate record.

The minutes of the Asset and Liability (ALCO) Committee meeting held on 18 December 2018 were noted. Chris Ward provided an update on the latest ALCO meeting including;

- Economic update;
  - o Approvals have softened, listings are down;
  - o Housing values down slightly, construction down, unemployment remains at 5.8%;
- ALCO Charter and Sub Committee Charter were reviewed.
- Refinance limit – paper will come to March meeting with FRN financing recommendation.
- Loan portfolio stress testing review underway.
- Country lending review completed and ALCO received a good presentation from Leo Davey Credit Analyst.

Sue Edwards provided an update on the latest Audit Committee meeting including;

- Audit Charter was reviewed with further consideration to be given to a customer lens focus.
- Enterprise Risk Framework was approved.
- RoFA was reviewed and will come to Board next month for approval.
- Accounting Standards update was reviewed with the only notable impact on HomeStart associated with lease accounting changes. It was noted that HomeStart will need to value lease options associated with our property lease and this will have around $600K impact.
- Fraud and Corruption Plan reviewed
- AML reporting is slightly delayed due to changes within the LARA team.
- Deloitte – 2 reports tabled on Work Health and Safety and Marketing Communications with only minor items noted.
- Sue also mentioned her and the Chair's meeting with new Deloitte Managing Partner.

1902.1 CEO Report – December 2018 + January 2019

John Oliver spoke to the following matters;

- In terms of the first half year results, profit is ahead of budget; lending volumes are in line with 2017/18 although slightly down on this year's budget; and arrears are being well controlled although starting to trend up slightly in line with historical cycle.
- January 2019 – settlements were above budget, ROE is 13.6%.
- January profit was down due to previously delayed timing differences but YTD we are well ahead of forecast partly due to the improved net interest margin and provisioning.
- Arrears up to 2.13% by number although 90 day arrears (standard industry measure) are currently at 0.70%.
- Brokers are writing 2/3 of all our loans.
- First home buyers are currently just over 60% of new business. We are writing 1 in 5 first home buyer loans.
- IT – we are now receiving a regular pattern of 70,000 phishing emails per month.
- Aussie Home Loans are coming on board with training and accreditation underway.
- Our sponsorship of New Year's Eve fireworks was really well received.
- TAFE Fashion Awards also held with a very positive response to our sponsorship.
- CEO and Andrew Mills met with Keystart in Perth. John outlined some of the key differences between the organisations and some of their important financial indicators. They have a refreshed executive team and there is an opportunity to get to share information and possibly undertake some work (e.g. IT related) together. Overall a very positive visit.

Board noted the monthly reports.

Papers/Presentations

Approval

1902.2 **2018-19 Administrative Expenses and Capital Expenditure – Half Year Review**

David Hughes joined the meeting and spoke to the paper noting a reduction in administrative expenses for the year from the original budget, and a slight reduction in capital expenditure associated with our IT transformation program.

The Board approved the paper.

1902.3 **2018-19 Operating Outlook Review**

David Hughes spoke to the paper noting a slight downturn in total loans projected for this financial year from the previous Operating Outlook. It was also noted that current borrowing limit would be exceeded in the outer years based on existing forecasts in the absence of a borrowing limit increase. Other points of note included;

- Average loan value is slightly down
- Margins are up based on 15bps rate increase last year
- Capital adequacy likely to drop to around 12% in outer years based on portfolio growth with capital being impacted by the payment of special dividends to Government in prior years
- On track for $20 million profit and our half year position is good.

The Board approved the paper.

Noting

1902.4 **CFO Update & Banking Royal Commission**

David Hughes provided an update on Finance and IT noting;

- IS projects – 37 at start of the year, 11 projects completed
- Electronic Document Record Managing System (EDRMS) is a major project currently well underway that will touch all parts of the business.
- A number of other key projects underway including the website and lending calculators.

Deborah Dickson also joined this part of the meeting as Board discussed the relevant findings from the Hayne Banking Royal Commission and the potential impacts on HomeStart and its business model. Issues discussed included broker commissions, future distribution, technology and interaction with potential customers and HomeStart's media and industry response positioning. In regard to the latter the CEO informed Board that HomeStart would adopt a relatively neutral position noting that brokers are a significant part of our business and distribution strategy, we will comply with any subsequent legislation including any broker remuneration changes, however we do not agree that the customer should pay the broker in lieu of the financial institution. It was further noted that there was comfort for HomeStart because of our emphasis on ethics and principles which seem to be the focus of the report. The Board was informed that the industry was garnering considerable support and campaigning vigorously on the Commission's recommendations in the media and within political circles.

Board asked Management to keep a close watching brief on developments and keep them informed each month.

David Hughes and Deborah Dickson left the meeting following the discussion.

Board noted the paper.

1902.5 **2018 Culture (OCI/OEI) Survey Results**

The Board had a lengthy discussion on the survey results noting the response rate of 84% was a positive outcome. Board noted the CEO's view that notwithstanding the outcome was not as good as the 2016 survey there were a number of factors which were believed to have contributed to the outcome including the number of new employees, the compliance training issue and the current business transformation program. Board noted the intention of Management to drill down into the underlying issues via the Culture Council and to listen to employees more detailed and specific feedback. Board also noted that the survey outcomes were still positive and reflected a good culture within HomeStart.

Board was also informed that our half yearly PULSE survey around employee engagement would be undertaken in the coming months and this would also contribute to the broader cultural discussion.

Board noted the paper and asked for regular updates following further activity by management.

1902.6 **Strategic Score card Update**

Board noted the paper.

1902.7 **Risk Appetite Quarterly Update**

Board noted the paper.

1902.8 **Email Phishing Tests/SuperSA**

John outlined the circumstances of the event noting that phishing testing was an internal test only, undertaken in conjunction with our service provider CQR and was an integral part of our cybersecurity protection strategy. Board noted HomeStart's commitment to that strategy. Board was also informed that if the Department of Finance and Treasury required a report, HomeStart would do so but in the absence of a specific request the matter was considered closed.

Board noted the paper.

1902.9 **Loan Manager Transition Post Implementation Review**

John informed Board that this long term strategic project was now complete, that financial projections underpinning the project were being met and that economies of scale as a result of the project had resulted in a slightly lower than expected increase in FTE.

Board noted the paper.

1902.10 **AFCA Matter Update**

John spoke to the paper noting the loan was written in 2009 and that notwithstanding HomeStart disagreed with AFCA's Determination we would comply with the Determination. He also noted that there had been significant changes to the lending process since 2009.

Board noted the paper.

1902.11 **Realisations – December 2018 & January 2019**

Board expressed concern at the level of unpaid SA Water and Council rates that were reflected in several of the realisation papers and noted that Management was preparing a paper on the broad issue of repayment priority for the Minister.

Board noted the paper.

OTHER BUSINESS

The Chair closed the meeting 3.30pm.

NEXT MEETING

The date of the next Board meeting is Tuesday, 19 March 2019, commencing at 1.00pm, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

JIM KOUTS
CHAIR
HOMESTART FINANCE

/ /2019

Board action list

19/03/2019

Agenda No.	Action Required	Date Raised	Completion Date	Person Responsible	Status
	SAFA Methodology – John to circulate Treasury letter	18/12/2018	January 2019	John Oliver	Pending
1812.3	**Regulatory Update** – confirmation Privacy Policy has been updated	18/12/2018	March 2019	John Oliver	Pending
1812.4	**Remediating Contaminated MIP Properties** – Ministerial to be sent	18/12/2018	March 2019	John Oliver	Pending
1812.6	**History of Statutory Charges Paid** – Ministerial to be sent	18/12/2018	March 2019	John Oliver	Pending
1811.1	**Showpony HSF Brand Review**	20/11/2018	March 2018	Andrew Mills	Pending
1812.8	**Innovation Strategy** – Next challenge identified	18/12/2018	May 2019	John Oliver	Pending

Government of South Australia
HomeStart FINANCE

Minutes of Asset & Liability Committee Meeting held on Tuesday, 19 February 2019 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 [redacted] Andrew Kennedy (SAFA) Don Munro (SAFA) Tricia [redacted] (minutes)

The Chair opened the meeting at 9.00am.

CONFLICTS OF INTEREST

There were no new conflicts of interest.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 18 December 2018 were confirmed as an accurate record.

ACTION LIST

There were no items on the Action List.

ECONOMIC UPDATE

David Hughes spoke to the circulated document "Economic Update – February 2019" and provided a general economic update. Points to note included;

- The RBA has left rates on hold; there is now little expectation of an increase in the cash rate before February 2020 at the earliest
- In a speech on 6 February to the National Press Club after the cash rate decision, the Governor suggested it was now a 50/50 bet as to whether the next rate movement was up or down, a significant change from previous statements
- Equity prices declined and credit spreads increased late in 2018, but these moves have since been partly reversed with most forecasters no longer expecting a further tightening of monetary policy in the United States
- The number of properties listed in South Australia has declined
- Credit conditions remain tight and are likely to stay that way for the foreseeable future following the release of the Royal Commission report and political uncertainty as we lead up to a federal election
- South Australia's unemployment rate is 5.8%; wage levels have remained flat across December with further statistics due out later this week

SAFA UPDATE

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

- Wage growth is above inflation and GDP, adding it is difficult to maintain growth in a country that has the highest minimum wage of a developed economy
- Andrew also noted that South Australia's unemployment rate is over the national average due to its population growth of only .7% and high percentage of an older population
- Despite the media coverage, eastern states housing prices have 'corrected' and remain above 2015 figures
- SAFA completed its 2018/19 funding program last week; short-term funding is the current focus
- Credit conditions started the year weak, however there has been a turnaround in the last few weeks
- The State government is continuing to fund jobs via small business

Approval Papers

1902.1 **ALCO Charter Review 2019** .

Minor wording changes have been made to the Charter.

ALCO approved the ALCO Charter.

1902.2 **Credit Sub-Committee Charter Review 2019**

There are no changes to the text of the charter, only effective and review dates have been updated. One change will be made to the Charter - 3. *Membership "The BCSC comprises ~~two~~ three members of HomeStart's Board, appointed by resolution of the Board."*

ALCO approved the Credit Sub-Committee Charter, subject to the minor amendment above.

1902.3 **Refinancing Limit**

David Hughes spoke to the paper. Treasury Policy 4 (Refinancing Risk) specifies that HomeStart's debt subject to refinancing in the next twelve-month period, is to be limited to 40% of total debt outstanding. The current level of refinancing over the next 12 months is 32% which comprises working capital (currently $333.8m) and $300m of borrowings maturing in August 2019. There is a further $275m of debt maturing on 24 February 2020 which will result in the refinancing level exceeding 40%.

Restoring refinancing to within the limit would require restructure of debt into a longer dated maturity which would most likely be November 2023 considering the current maturity profile of the debt portfolio. Management proposes that this be deferred until there is clarity on funding costs from July 2019. It is estimated that the level of refinancing on a rolling 12 months would be around 46% when the February maturities fall within twelve months this month and increase to 48% in July 2019 allowing for portfolio growth.

Following discussion, ALCO members stated their preference to not allow the refinancing limit to increase to 48%, whilst appreciating managements desire to confirm funding costs.

ALCO approved HomeStart to exceed its refinancing limit to 46% until the March 2019 ALCO meeting, at which options for restructure of debt will be considered.

Noting Papers

1902.4 Treasury Reports – December 2018 and January 2019

Leon [redacted] spoke to the paper. Points to note included;

- The inclusion of compliance reports for December 2018 and January 2019 were noted
- A high bank balance during the last week of December 2018 was due to customer payments being made whilst the office was closed

ALCO noted the report.

1902.5 Asset Quality Reports – December 2018 and January 2019

Leon [redacted] spoke to the paper. Points to note included;

- Arrears increased in December 2018 and January 2019, in part due to seasonal factors and extra repayments due in January
- The 90+days arrears continue to decline
- There were eight realisations for the months December and January, noting action is not taken on MIP properties over the Christmas period
- Year-to-date losses are 17% below the actuary level
- It was noted of the twenty potential shortfall properties in MIP for January 2019, three are in the metro area and seventeen are in regional areas

ALCO noted the report.

1902.6 Loan Portfolio Stress Testing

David Hughes spoke to the paper stating previous results have been presented as at a point in time, however it is now believed to be more appropriate to review these results as they change over time. This would give a more accurate position on whether our portfolio is becoming more or less exposed to capitalisation, using the same variable assumptions, at differing points in time.

As a result, the intention is to modify the reports, using the same variables, at December 2015, 2016, 2017 and 2018. The development of these reports and the analysis thereof is still underway and will be available to be presented at the March meeting

ALCO noted the report.

Leo [redacted] joined the meeting at 9.42am.

1902.7 Country Lending Review

Leo [redacted] spoke to the paper highlighting this review was predominantly aligning systems to policy. The new process also allowed for the inclusion of metropolitan as well as country areas and the inclusion of some new categories. Leo provided an overview of the capability of using Power BI to get graphical data out of the data warehouse that also incorporates 2016 census data. It is anticipated future reports will be live out of the data warehouse.

ALCO noted the report.

Leo [redacted] left the meeting at 9.59am.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 10.00am.

NEXT MEETING

The date of the next Asset & Liability committee meeting is Tuesday, 19 March 2019, commencing at 9:00am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

CHRIS WARD
CHAIR
HOMESTART FINANCE

/ /20

Minutes of the Audit Committee Meeting held on Tuesday, 19 February 2019 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 Leon [redacted] Gavin Scaife / Auditor-General's Department [redacted] Deloitte [redacted] Deloitte Tricia [redacted] (minutes)
APOLOGIES	Robert Huddy, Heather Balster

The Chair opened the meeting at 10.30am.

CONFLICTS OF INTEREST

There were no new conflicts of interest.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 18 December 2018 were confirmed as an accurate record.

ACTION LIST

1812.3 Insurance Cover – does HomeStart need to inform SAicorp of incidents even if a claim is not made? Kay Lindley informed the Committee that HomeStart is under no obligation to advise SAicorp of incidents, unless it believes a claim may arise in the future.

1812.8 ISO 31000:2018 and DPC – how do these affect HomeStart? Changes made to the standard are minor and relate to integration; this has been incorporated into the Enterprise Risk Framework (discussed under Agenda item 1902.2). The DPC Guidelines for Risk and Performance Committees had been reviewed by Management and in the context of HomeStart's Board and Committee structures no further action was proposed. This had been circulated to and noted by committee members.

APPROVAL PAPERS

1902.1 Audit Committee Charter

David Hughes informed the Committee that there have been no changes made to the Charter. It was suggested the Board Charter include customer advocacy that can then cascade down into future Charters for ALCO, Audit and Credit Sub-Committee's. Management to review.

The Audit Committee approved the Audit Committee Charter.

1902.2 **Enterprise Risk Framework**

Kay Lindley spoke to the paper stating the Framework endeavours to encompass other aspects of Risk Management, in particular the aspects of Credit Risk. It has also been updated in line with the minor changes from the revised standard ISO31000:2018 Risk Management. It was noted that HomeStart's Legal and Risk team (LARA) sets the framework however risk is everybody's responsibility within the organisation.

The following changes will be made to the framework;

Introduction – last dot point to read *"allows the organisation to better meet its shareholder, government, client and community demands."*

Operational Risk Matrices – last sentence to read *"These Matrices in combination are expressions of Risk Appetite and are recommended by management to the Audit Committee and approved by the Board."*

Risk Culture and Continuous Improvement – second sentence in third paragraph to read *"This culture is set by Board, the Governance Committees, the CEO and the Executive team."*

The Audit Committee approved the Enterprise Risk Framework subject to the above amendments.

1902.3 **RoFA Framework and Policy Review**

David Hughes informed the Committee that only minor changes have been made noting Document 1 is the framework that sits over the CEO delegations.

The Audit Committee approved the paper as per the recommendations.

NOTING PAPERS

1902.4 **Accounting Standards Review**

David Hughes spoke to the paper highlighting Treasury Instructions are still in draft. AASB 16 Leases accounting standard applies from 1 January 2019 however HomeStart will adopt the new accounting standard effective from 1 July 2019.

The Audit Committee noted the paper.

1902.5 **Fraud and Corruption Control Plan Review**

Kay Lindley spoke to the paper noting only minor amendments have been made. It was highlighted that the paper was for noting and not approval as stated in the recommendation.

In reference to HomeStart's fraud risk profile, the Committee raised the issue of brokers and what processes are in place to reduce potential fraud in this space. Deb Dickson informed the Committee that Broker PD Days are held regularly, however there will be an increase in education with the offering of Master Classes (to commence next month) and the introduction of a broker governance model (in coming months). The model covers five key fundamental areas that are industry standards, and should they not be met, will come with escalated consequences. This is supported by Aggregators, including Aussie Home Loans whose brokers have just completed HomeStart training.

Deloitte will be undertaking an internal audit of HomeStart's broker management in June 2019.

The Audit Committee noted the paper.

1902.6 Risk and Incident Update

The Audit Committee noted the paper.

1902.7 Risk Management Plan Update

Kay Lindley spoke to the paper stating the new LARA team has settled in well. The Credit Review role remains vacant whilst a review is undertaken to determine what is required within the role, including practices within other organisations.

The Audit Committee noted the paper.

1902.8 Internal Audit – New Lending and Arrears

Kay Lindley informed the Committee that a paper has not been included due to the vacant Credit Review role. Management was reviewing the scope and nature of these audits given all lending processing is being conducted in house. The Committee will be updated on proposed changes for their acceptance.

The Audit Committee noted the paper.

1902.9 AML/CTF/Whistleblower/Fraud Report

Kay Lindley spoke to the paper stating the reason for the low number of suspicious matters is due to the change in personnel in LARA and as such is approximately two weeks' behind schedule. This will be also be noted in the report to AUSTRAC.

The Audit Committee noted the paper.

[redacted] Deloitte, joined the meeting at 11.25am

1902.10 Deloitte – Internal Audit Status Report

Elroy Todd spoke to the report stating Deloitte are now back on schedule with the audit program. The scope for the ISMF audit is yet to be finalised, however it will have a more cyber focus. Heather Balster will be running the Broker Management audit.

The Audit Committee noted the report.

WHS Internal Audit

[redacted] spoke to the report informing the Committee that HomeStart's Work, Health and Safety system is mature and consistent with the scale and complexity of its operations, and it has aligned it to a leadership, planning, implementation and performance evaluation model. There were two low findings;

- WHS Committee not active – over time the Emergency Control Committee has taken over this role
- Limited integration between strategic and operation WHS risk – all risk assessments should be recorded in Protecht and psycho-social risk assessments should be completed at an operational level

Management agree with the audit recommendations for which implementation has commenced.

The Audit Committee noted the report.

Customer Communications and Marketing Review

[redacted] spoke to the report stating the review of the published communications, promotional material and representations made about the Senior Equity Loan and Graduate Loan found the material and communications to be clear and concise. There was one moderate and one low finding;

- Formal Monitoring and Reporting – public documents to be monitored, even if there have not been any product changes
- Approval procedures – evidence to be easily accessible

Management agree with the audit recommendations and have taken onboard improvement opportunities for best practice.

The Audit Committee noted the report.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 11.44am.

NEXT MEETING

The date of the next Audit committee meeting is Tuesday, 16 April 2019, commencing at 10:30am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

SUE EDWARDS
CHAIR
HOMESTART FINANCE

/ / 20

Board paper

Agenda Item: 1903.1

Topic:	CEO Report
From:	David Hughes
Date:	19/03/2019
Status:	Noting

1. Recommendation

That the Board notes the monthly report for February 2019.

David Hughes
Chief Financial Officer

John Oliver
CEO

HomeStart FINANCE

Board Report Index
February 2019

Executive Summary February 2019

Key Points

- February profit of $1.3m is on target even with some substantial additional specific provisions taken up (discussed below), offset by reduced administration expenses and continuing strong margin. This brings our YTD profit to $14.5m which is $0.4m ahead of forecast.
- ROE for the year of 13.16%, whilst slightly down on January's result, remains well ahead of our targeted 9% and significantly ahead of last year's 10.93% for the same period. Capital adequacy of 13.2% is also well above our target of 12% but well down on last year's 15.0%. This value will continue to decline as the portfolio grows.
- February's settlements of $34.6m is below forecast ($41.7m) and below February last year. Our Year to Date settlements of $318.4m is also below forecast ($345.3) however a similar level to last year's $319.9m. Graduate lending in February remains the highest category of lending for February at nearly 60% of all new loans.
- Discharges have remained lower at $18.9m, below forecast ($23.5m) and brings our YTD total discharges to $163.4m. This level is below budget however still similar to last year's $158.9m. Current household turnover statistics suggest house sales volumes remain slow and this trend appears more prevalent in our target price points. We expect this trend to continue in the current market conditions.
- Our gross portfolio has grown by $7.1m across February to total $2,199.7m at month end. This compares to $2,031.5m in February 2018 which represents growth of $168.2m across the year so far. Our borrowings have also grown by $7m across February and now stand at $1.99m leaving headroom of $208m, with pre-commitments of over $65m.
- Our current cashflow forecasting suggests we will consume (Net of CSO receipt, Tax and Dividend payments as well as lending cashflows) approximately $130m by the end of December 2019.
- Brokers remain our strongest channel, representing over 70% of new lending for February, whilst fixed and split fixed lending remains relatively constant with 10 new fixed rate loans at $3.3m.It will be interesting to see any impact of recent fixed rate reductions across 2 and 3 year bands.
- Margin for February remains high at 1.23% with asset pricing remaining stable and our cost of funding also relatively consistent. There is growing speculation of cash rate cuts across the balance of this calendar year with Westpac now forecasting two rate cuts before Christmas to a cash rate of 1.00% and, whilst the RBA Governor suggested a 50/50 bet on the next rate movement being up or down, many forecasters are now supporting a cut. We await the outcome of our guarantee fee for 2019/20 to determine the ongoing funding structure as our level of short term debt is becoming too high and needs to be restructured into term debt with a longer maturity. This will impact future funding costs.
- We have seen another seasonal uptrend in arrears levels to 2.24% by number and 2.11% by value and 274 accounts in arrears. This compares with 2.16% for both at the same time last year when 258 accounts were in arrears. Last year, this trend reversed across April / May and we are expecting this to occur again this year. Provisions have increased again across February following the increase in arrears. We have seen a number of accounts (32) going into arrears for the first time which has caused sizeable specific provisions. Our provisioning policy assumes a 20% reduction to the capital value plus substantial additional costs, as soon as the loan goes is into arrears. This adds a large increase to specific provisions, most of which we expect to reverse across the balance of the year. Overall our level of provisions are well within expectations of future loss, with the current year's total expense still well under budget and last year.
- Administration expense of $1.66m is down on the original budget and forecast, partly due to reduced advertising and staff development expenses plus a shorter month. Year to date, our level of administration expense is consistent with last year, albeit below budgeted and forecast levels this year. Some of this shortfall in spending is expected to reverse across the next 4 months however we still expect to finish the year well within our forecast.
- Overall another strong result with continued focus on credit management and provisioning levels as well as ongoing cost control. The outcome of the funding limit discussions remains a key strategic issue.
- We are confident of a strong finish to the year following our updated operating outlook and expense forecast indicating a very strong year.

Operational Dashboard

As at February 2019

FINANCIAL	KPI	30 June 18		YTD Actual		Target
OPERATING PARAMETERS	ROE	11.52%		13.15%	146%	> 9.00% ****
	Pre-Tax Operating Profit ($m)	$18.9		$14.5	103%	$14.1
	Net Interest Margin	1.20%		1.23%	117%	1.05%
	Capital Adequacy	13.70%		13.20%	110%	> 12.00% ****
	Operating Cost : Net Interest Income	53.33%		49.10%	112%	< 55.00% ****
RETURN ON INVESTMENT	YTD Payments to Govt ($m)	$55.0		$23.3	76%	$30.8
	Payments to Govt as % of Capital	33.58%		13.96%	50%	27.68%
PORTFOLIO ^	Gross Portfolio ($m)	$2,101.8		$2,199.7	99%	$2,218.0 ***
	% Loan Portfolio Growth ($) (YoY)	8.31%		8.10%	115%	7.06%
ARREARS	All Channels ($)	1.88%		2.11%	137%	2.90%
	All Channels (No.)	1.85%		2.24%	112%	2.50%

CUSTOMER & COMMUNITY	KPI	30 June 18	FEB 19	YTD Actual		Target
NEW BUSINESS	Lending (No.)	148*	106	1,086	95%	1,143
	Settlements Inc HELs & Redraws ($m)	$510.1	$34.6	$318.4	92%	$345.3
	% FHB Loans to New Lending (YTD No.)	55.48%		63.81%	128%	50.00%
	% Customers Can't Get Finance	87.38%		87.22%	100%	80.00% - 90.00%
PECIAL ASSISTANCE	% New (No.) Customers with S.A.	27.37%		24.13%	69%	35.00%
	% Loan Portfolio (No.) with S.A.	28.53%		28.63%	143%	20.00%
DISCHARGES (guide 2)	Discharges ($m) Inc. HOME Programs	$20.4*	$19.0	$163.4	83%	$197.0

INTERNAL PROCESS	KPI	30 June 18	FEB 19	YTD Actual		Target
MARKET SHARE	% All (No.)	4.25%	4.09%	4.35%	109%	4.00%
	% FHB (No.)	19.48%	17.95%	18.70%	156%	12.00%
LOAN PROCESSING	% App Started to Submitted	84.01%		86.99%	124%	70.00%
	% App Submitted to Approval	73.31%		71.33%	89%	80.00%
	% App Approval to Settled	93.09%		94.56%	100%	95.00%
	Last Submitted to Approval (days)^^	0.12	0.07		2,788 %	2
	First Time Capability (exc Construction)	35.77% **		31.35%	63%	50.00%

LEARNING & GROWTH	KPI	30 June 18	FEB 19	YTD Actual		Target
WORKFORCE QUALITY	Total Employee Turnover	6.86%	15.59%		96%	15.00%
	Unplanned leave (%)	2.73%	2.92%		137%	4.00%
	Lost Time Injury (days)	0.00 **		0.00	100%	0.00
	% Employee AL > 35 working days	6.00%**	2.73%		183%	<=5.00%
RATEGY ALIGNMENT	% Employee with Current MyPlan Plans	-	100.00%		100%	100.00%
	Signed Performance Reviews^^^	-	95.00%		95%	100.00%

% Indicator guide : ▨ <90 ▨ 90 - 99 ▨ >=100 ▨ of target

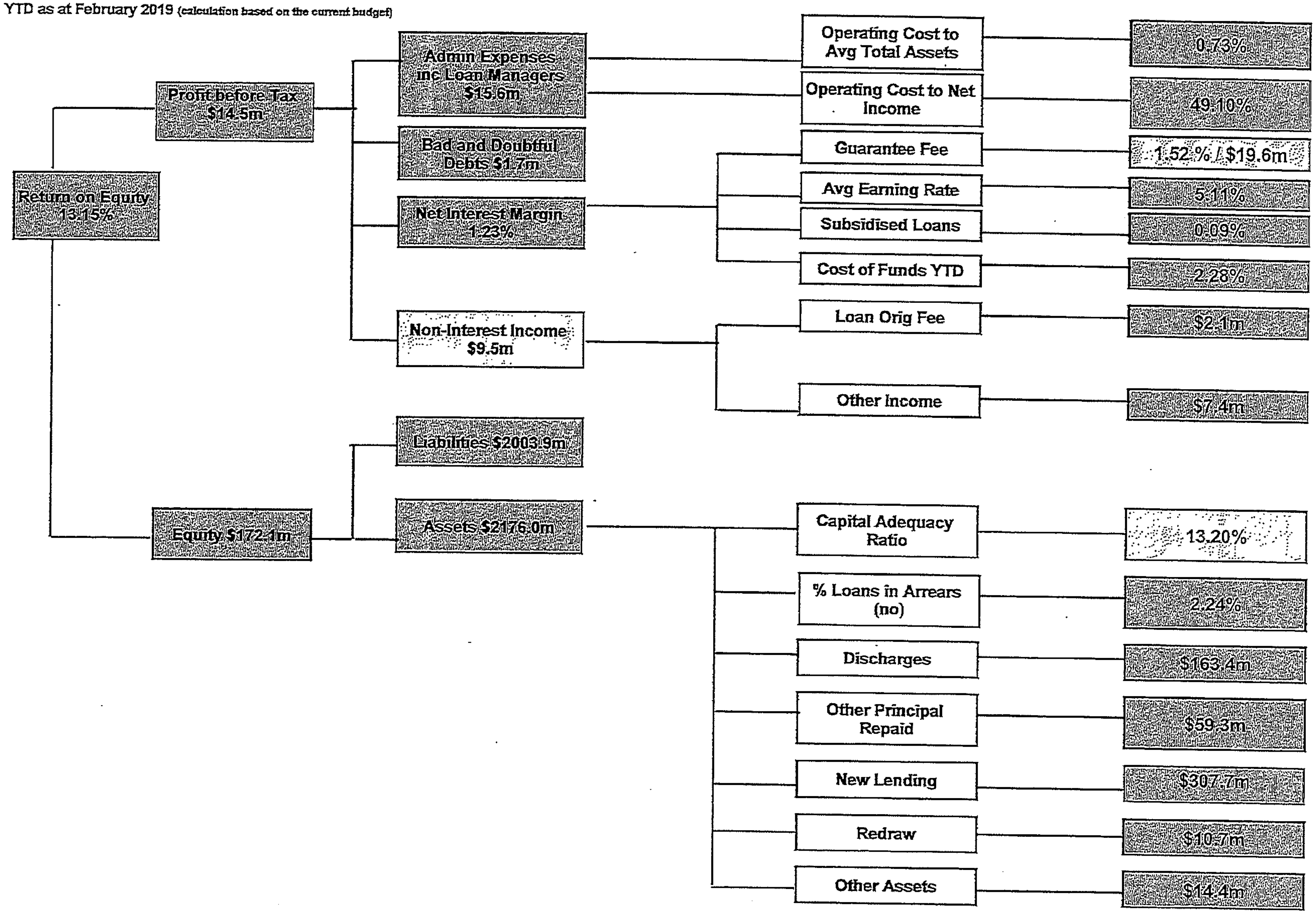
% Indicator guide 2 : ▨ <=100 ▨ 101 - 110 ▨ >110 ▨ of target

* 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 February 2019 (calculation based on the current budget)



- Return on Equity 13.15%
  - Profit before Tax $14.5m
    - Admin Expenses inc Loan Managers $15.6m
      - Operating Cost to Avg Total Assets 0.73%
      - Operating Cost to Net Income 49.10%
    - Bad and Doubtful Debts $1.7m
    - Net Interest Margin 1.23%
      - Guarantee Fee 1.52 % / $19.6m
      - Avg Earning Rate 5.11%
      - Subsidised Loans 0.09%
      - Cost of Funds YTD 2.28%
    - Non-Interest Income $9.5m
      - Loan Orig Fee $2.1m
      - Other Income $7.4m
  - Equity $172.1m
    - Liabilities $2003.9m
    - Assets $2176.0m
      - Capital Adequacy Ratio 13.20%
      - % Loans in Arrears (no) 2.24%
      - Discharges $163.4m
      - Other Principal Repaid $59.3m
      - New Lending $307.7m
      - Redraw $10.7m
      - Other Assets $14.4m

FINANCIAL PERSPECTIVE - INCOME STATEMEN

As at February 2019

	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	4,733	4,630	4,678	56	40,372	39,179	40,314	58	38,196	59,614	61,207
Interest Income	8,259	8,132	8,275	(17)	69,896	68,848	69,947	(51)	62,872	105,940	106,672
Interest Expense	3,525	3,501	3,598	73	29,524	29,669	29,633	109	24,676	46,326	45,465
Subsidised Loans Net Fair Value	260	238	191	69	1,548	1,888	1,551	(4)	1,588	2,845	2,318
Subsidised Loans Effective Interest Income	342	351	343	(1)	2,737	2,799	2,740	(3)	2,671	4,211	4,114
Subsidised Loans FV Expense (1)	82	114	152	70	1,189	911	1,189	(1)	1,083	1,366	1,796
Government Guarantee Fee	2,299	2,333	2,315	16	19,602	19,724	19,628	26	18,904	30,063	29,889
Govt. Guarantee Fee	2,299	2,333	2,315	16	19,602	19,724	19,628	26	18,904	30,063	29,889
Net Interest Margin	2,694	2,535	2,554	141	22,318	21,343	22,238	80	20,881	32,396	33,636
Add: Other Income	1,260	1,287	1,220	40	9,476	9,996	9,525	(49)	9,242	15,190	14,456
RTV Investments											
Loan Origination Revenue Amortisation	257	262	260	(3)	2,059	2,006	2,008	52	2,022	3,082	3,076
EquityStart Subsidy (2)	52	70	56	(5)	362	556	394	(33)	537	835	620
Other Loan Administration Fees (3)	241	262	236	5	1,872	2,204	1,944	(72)	1,896	3,272	2,913
Breakthrough Loans Capital Gains	120	107	82	38	446	557	457	(11)	276	974	779
Shared Equity Option Loans Capital Gains	0	4	3	(3)	5	13	5	0		37	21
Sundry	6	6	6	0	45	47	47	(2)	41	70	70
CSO subsidies and reimbursements	577	577	577	0	4,614	4,614	4,614	0	4,384	6,921	6,921
Bad Debts Recovered	7	0	0	7	73	0	57	16	86	0	57
Total Net Income	**3,954**	**3,822**	**3,774**	**180**	**31,794**	**31,339**	**31,763**	**31**	**30,123**	**47,587**	**48,092**
Loan Managers Payments (4)	315	298	297	(17)	2,669	2,607	2,612	(58)	2,834	3,838	3,834
Trail Commission	143	173	175	31	1,113	1,151	1,159	46	878	1,857	1,870
Loan Origination Expense Amortisation	86	91	89	3	685	681	673	(13)	681	1,063	1,041
Other Loan Administration Payments	51	19	19	(33)	285	158	158	(128)	235	240	240
Management Fee	34	10	10	(24)	582	579	583	1	1,006	618	623
Other Loan Managers Payments	0	5	5	4	4	39	39	36	34	60	60
Administration Expenses (5)	1,661	1,696	1,918	257	12,940	14,313	13,332	392	12,903	21,322	20,900
Personnel Expenses	958	888	1,024	66	7,796	7,735	7,779	(17)	7,629	11,565	11,877
Other	215	263	249	34	1,390	2,247	1,556	166	1,248	3,355	2,665
Marketing, Prod Dev, Adv, Spec Proj	150	166	177	27	989	1,143	1,065	76	1,105	1,651	1,730
Depreciation and Amortisation of Fitouts	94	106	95	1	779	825	786	7	810	1,267	1,203
Office Accommodation	82	84	90	8	669	685	678	8	671	1,019	1,013
Information Technology	71	82	77	7	541	594	544	2	467	893	875
Audit Fees	38	27	34	(4)	189	219	198	10	214	327	325
Board Fees	20	22	22	2	177	179	178	1	173	269	266
Human Resources and Staff Devt	18	35	89	71	171	377	238	67	213	499	444
Loan Administration	13	21	49	37	181	226	238	57	221	337	356
Consultants Fee	3	1	12	9	58	83	73	15	152	141	147
Bad and Doubtful Debts Expense (6)	697	408	317	(380)	1,707	3,136	1,749	42	2,105	4,299	2,491
Doubtful Debts - Specific	665	330	238	(427)	1,586	2,570	1,232	(355)	1,469	3,853	2,155
Doubtful Debts - Collective	32	78	79	47	113	565	518	405	574	446	337
Bad Debts Written Off	0	0	0	0	8	0	0	(8)	62	0	0
Total Expenses	**2,673**	**2,402**	**2,532**	**(141)**	**17,316**	**20,056**	**17,693**	**376**	**17,842**	**29,458**	**27,225**
Profit/(Loss) from ordinary activities before related income tax	**1,281**	**1,420**	**1,242**	**40**	**14,477**	**11,284**	**14,070**	**407**	**12,281**	**18,128**	**20,867**

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 $407K (2.9%) over the revised 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 (1)

YTD Subsidised Loans Fair Value Expense is in line with the revised budget.

(2) EquityStart Subsidy (33)

YTD EquityStart Subsidy Income is 8.3% under the revised budget.

(3) Other Loan Administration Fees (72)

YTD Other Loan Administration Fees Income is 3.7% under the revised budget.

(4) Loan Managers Payments (58)

YTD Loan Manager Payments are in line with the revised budget.

(5) Administration Expenses 392

YTD Administration Expenses are 2.9% under the revised budget due to timing differences between actual expenses incurred and forecasts.

(6) Bad and Doubtful Debts Expense 42

YTD Bad and Doubtful Debts Expense is in line with the revised budget.

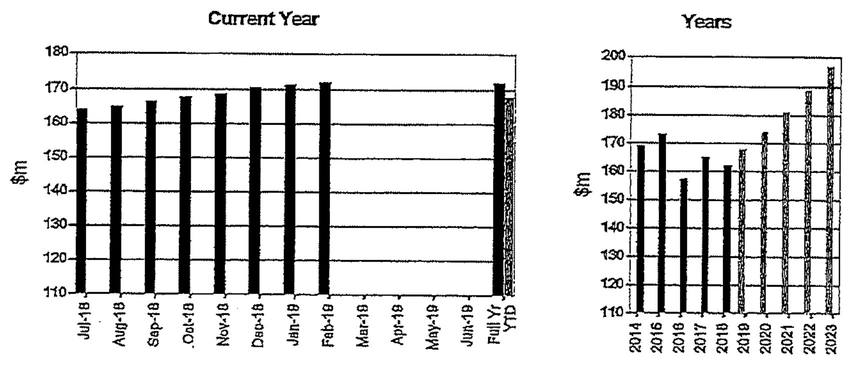
Note:

The Financial Accounts this month have been compiled using the revised Operating Outlook and Administration Expense budgets approved by Board at the February meeting.

FINANCIAL PERSPECTIVE - BALANCE SHEET

As at February 2019

HomeStart Consolidated Net Assets



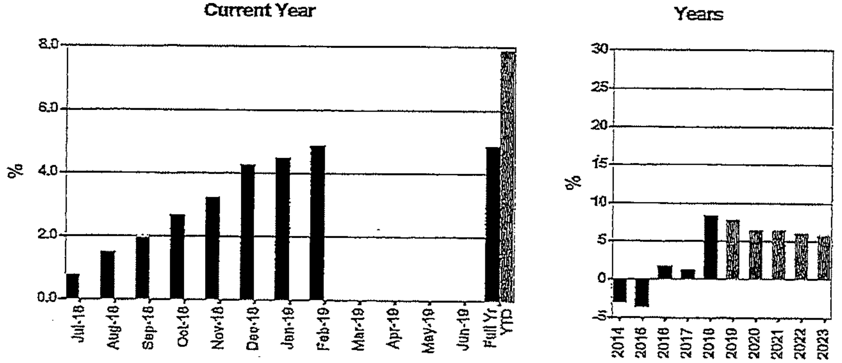
Current Year

Years

YTD Net Assets have increased by $9.9 million (6.11%) resulting from the YTD profit after tax of $10.1 million.

Actual ■ Forecast ▨

HomeStart Consolidated Movement YTD in Total Assets



Current Year

Years

YTD Total Assets have increased by $101 million (4.89%) predominantly due to the continued increase in the gross loan portfolio.

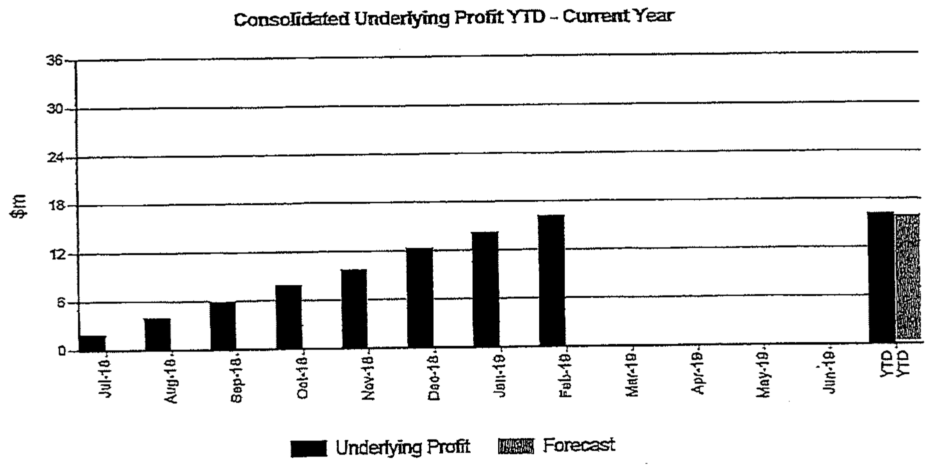
	ACTUAL Feb-19 $ '000	FORECAST Jun-19 $ '000	LAST YEAR Jun-18 $ '000
Funds Employed			
Retained Earnings	156,483	145,342	143,272
Credit Losses Reserve	8,084	8,084	8,084
Derivative Valuation Reserve	(2,607)		(2,377)
Current Years Profit (after tax)	10,134	14,607	13,211
Total Funds Employed	**172,094**	**168,033**	**162,190**
Assets			
Standard Loans	2,033,124	2,100,919	1,935,700
Subsidised Loans	110,795	112,122	108,912
Breakthrough Loans	50,619	49,246	54,226
Shared Equity Option Loans	2,410	4,246	135
Control Accounts	2,775		1,842
Gross Loan Portfolio	2,199,723	2,266,533	2,101,815
Fair Value Adjustment	(10,771)	(10,933)	(11,018)
Net Deferred Loan Fees	(7,164)	(7,251)	(6,591)
Total Loans (After AIFRS adjustments)	2,181,787	2,248,349	2,084,206
Provision for Impairment - Specific	(7,998)	(7,600)	(7,501)
Provision for Impairment - Collective	(10,083)	(10,307)	(9,970)
Impaired Loans Unearned Income	(2,091)	(2,201)	(2,213)
Net Portfolio	2,161,615	2,228,240	2,064,522
Derivatives	0		
Other Assets	14,415	10,290	10,152
Total Assets	**2,176,031**	**2,238,530**	**2,074,674**
Less: Liabilities			
Borrowings	1,988,557	2,052,334	1,897,797
Tax Liability	4,343		2,907
Derivatives	2,607		2,377
Other Liabilities	8,430	18,163	9,404
Total Liabilities	**2,003,937**	**2,070,497**	**1,912,484**
Net Assets	**172,094**	**168,033**	**162,190**

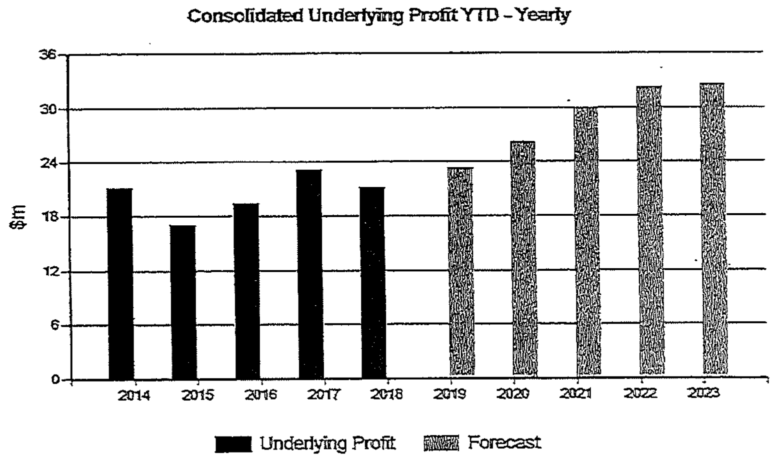
Individual line item $ amounts may not add up to Totals due to rounding variance +-$1,000

FINANCIAL PERSPECTIVE - PROFITABILITY AND RETURN

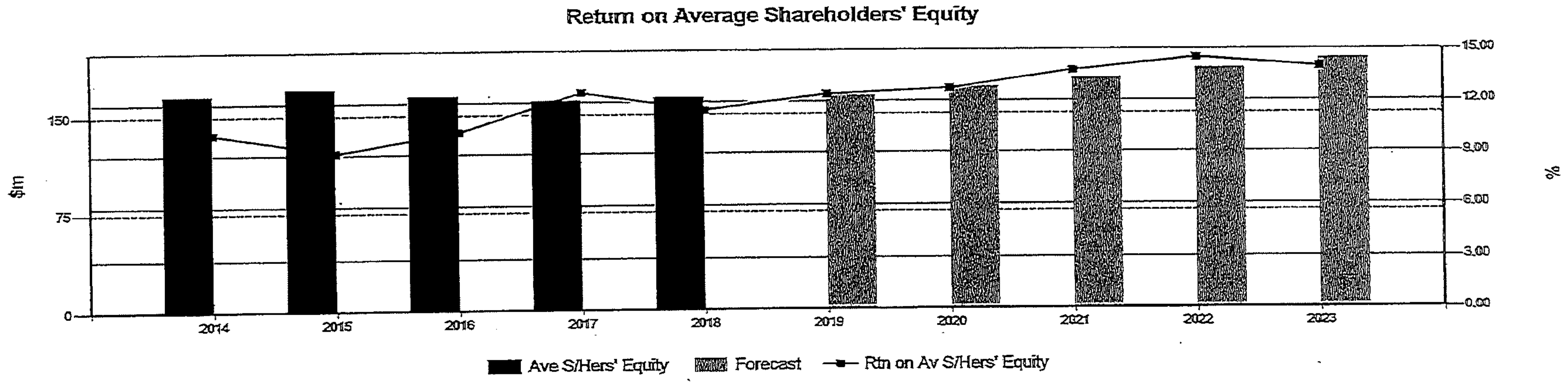
As at February 2019

FP4


Consolidated Underlying Profit YTD - Current Year


Consolidated Underlying Profit YTD - Yearly

- YTD the actual underlying profit was $16.2 million compared to the YTD reforecast of $15.8 million.

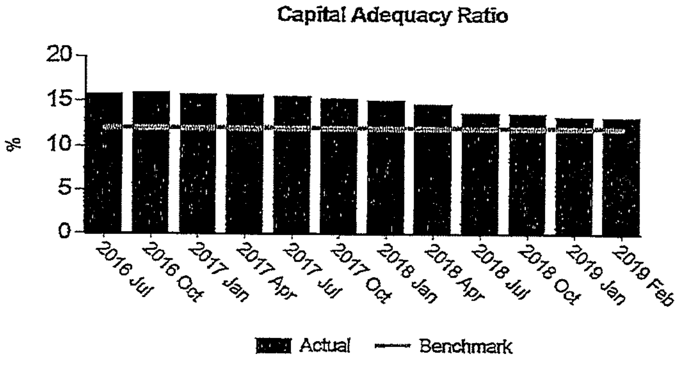

Return on Average Shareholders' Equity

- YTD the actual return on average shareholder's equity is 13.15% compared to the full year reforecast of 12.42%.

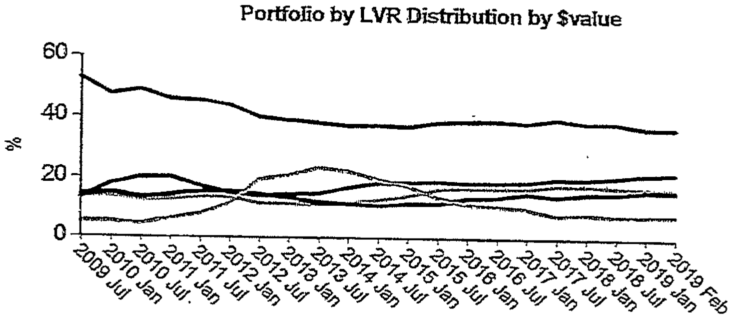
FINANCIAL PERSPECTIVE - PORTFOLIO RISK ANALYSIS

FP5

As at February 2019

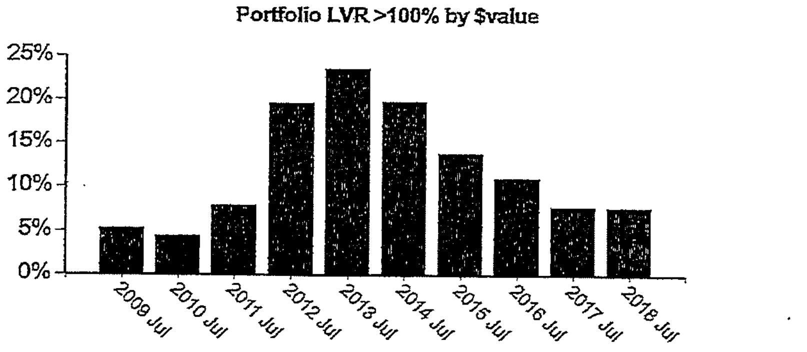


Capital Adequacy Ratio



Portfolio by LVR Distribution by $value

Exc Community Lending & Aged Care



Portfolio LVR >100% by $value

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	$1.1	$10.6	$21.1	$31.7
90	70	$1.8	$18.4	$36.9	$55.3
80	60	$3.2	$31.8	$63.6	$95.4
70	50	$4.9	$48.5	$97.0	$145.5

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, $145.5 million in capital would be required to make up the shortfall.

General Portfolio Risk Statistics	2019 Feb	2019 Jan	Benchmark
Current Weighted Avg LVR (%)	78.94	78.86	<=80.00
Weighted Avg Age (years)	4.50	4.48	n/a
Non-Accrual Loans (%)	1.95	1.83	<=5.60

FINANCIAL PERSPECTIVE - TREASURY

As at February 2019

Key Measures	This month $	Previous month $	Policy limit $
Total debt portfolio	1,988,556,540	1,980,815,703	2,197,000,000
Market Value profit/(loss) of debt portfolio	(3,849,538)	(3,195,109)	

	Actual this month	Previous month
Cost of Funds %	2.265	2.290
Avg Guarantee fee %	1.507	1.511

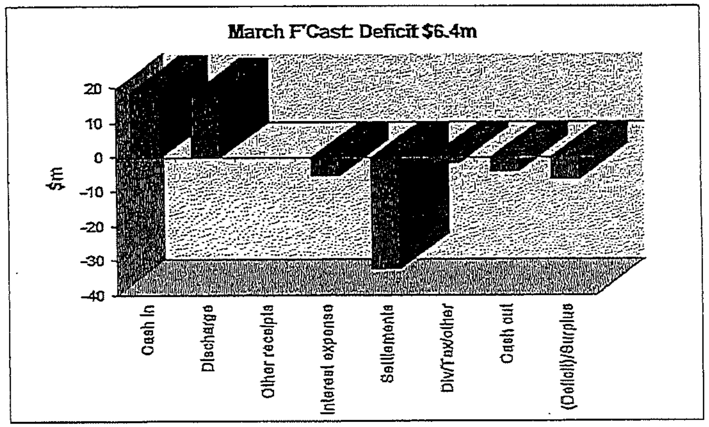
Comments/Actions:

The net additional funding required was $6.7m in February, in line with the projected $6.7m. Debt increased by $7.7m. The average cost of funding decreased slightly in February as the BBSW has reduced since January.

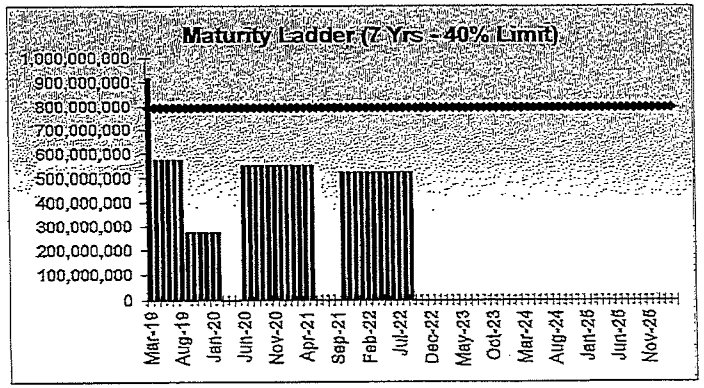
Refinancing over the next 12 months is now at 46% (above the 40% policy limit) with February 2020 debt now short term. This was discussed at the last ALCO meeting and options for managing this are being presented at the March 2019 ALCO meeting.

The cash rate position is unchanged with the RBA minutes indicating that there remains a balance in the scenarios for a rate rise and a rate cut. However, downside risks continue with the subsequent GDP figures released on Wednesday showing annual growth of 2.3% which was at the low end of consensus trend estimates. Household consumption expenditure and retail sales remain weak. Employment and income growth will be key data in determining the direction of rates.

Graph 1 Forecast borrowing for next month



Graph 2 Maturity ladder (refinancing risk)



FINANCIAL PERSPECTIVE - OPERATING ENVIRONMENT

As at February 2019

Valuer-General Quarterly House Price Changes

Suburb	Dec 2018 ($)	Dec 2017 ($)	Period change (%)
Blakeview	345,250	317,500	8.7
Elizabeth Downs	182,500	210,000	-13.1
Salisbury East	325,000	286,000	13.6
Brahma Lodge	285,000	263,000	8.4
Morphett Vale	323,550	314,000	3.0
Christie Downs	260,000	238,250	9.1

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

Selected South Australian Indicators

INDICATOR	Latest	A year ago	COMMENTS
FHB - average loan size ($)	288,500	273,900	+5.3% YoY to Nov 18
Unemployment (%)	6.0	5.9	SA, trend data, Jan 19
Retail Sales - Total ($m)	1,769	1,738	+1.74% trend data change over 12 months to Dec 18
Inflation (Adelaide, all groups) (%)	1.6	2.3	Dec Qtr 2018, YoY inflation figures
RP Data Home Value Index	116.69	115.69	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:

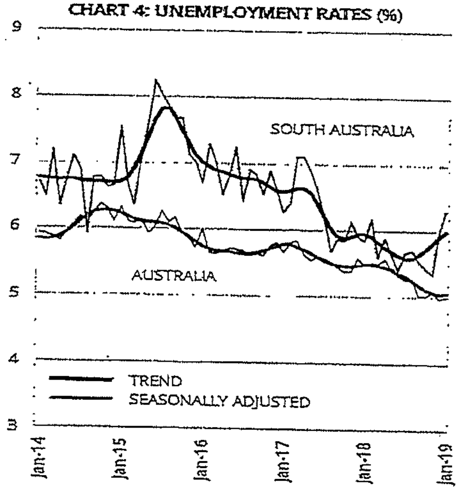
Employment in South Australia fell during January in both trend and seasonally adjusted terms. As highlighted in previous months reports, employment growth has stalled and the trend unemployment figure is now higher than it was a year ago for the first time since early in 2016 (see top graph). National unemployment figures have levelled off at 5.1% after improving from 5.5% over the last year.

The RBA Governor has suggested that the natural rate of unemployment has likely fallen from 5% to 4.5%. This can be supported by the unemployment rate being below 5% for some time in Victoria (4.5% currently) and New South Wales (4.1%) with little increase in wages growth. With improved unemployment and wages growth being key for the RBA to increase rates it is likely that a rate rise is a long time away, especially considering the downside risks including global trade tensions and lower growth numbers domestically and from China.

The bottom table shows capital city property movements to February 2019. Regional markets have performed better than capital cities with values over the year down 1.4% compared to 7.6%.

Charts for the Month

CHART 4: UNEMPLOYMENT RATES (%)



Source: Dept of Treasury & Finance; Commercial and Economics; ABS Cat No 6202.0, January 2019

Index results as at February 28, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	-1.0%	-4.1%	-10.4%	-7.2%	$789,339
Melbourne	-1.0%	-4.1%	-9.1%	-6.0%	$629,457
Brisbane	-0.3%	-0.7%	-0.5%	3.3%	$490,635
Adelaide	0.0%	-0.1%	1.0%	5.4%	$432,946
Perth	-1.5%	-3.5%	-6.9%	-3.2%	$438,952
Hobart	0.8%	1.1%	7.2%	12.6%	$457,186
Darwin	-1.7%	-5.1%	-5.3%	0.4%	$397,867
Canberra	-0.2%	0.0%	3.4%	8.1%	$594,351
Combined capitals	-0.9%	-3.3%	-7.6%	-4.2%	$599,612
Combined regional	-0.3%	-0.8%	-1.4%	3.4%	$374,929
National	-0.7%	-2.7%	-6.3%	-2.7%	$524,478

Highlights over the three months to February 2019

- Best performing capital city: Hobart +1.1%
- Weakest performing capital city: Darwin -5.1%
- Highest rental yield: Darwin 6.0%
- Lowest rental yields: Sydney 3.4%

CoreLogic Hedonic Home Value Index, February 2019

CORPORATE GOVERNANCE - RISK MANAGEMENT

As at February 2019

Inherent Risks	
Rating	Number
Extreme	0
Major	8
Moderate	15
Low	[illegible]

Residual Risks	
Rating	Number
Extreme	0
Major	3
Moderate	18
Low	[illegible]

New Major and Extreme Incidents

NIL

Existing Major and Extreme Incident Update

NIL

New / Emerging Risks

Extreme Residual Risks

Major Residual Risks
Cybercrime
Change in Government Policy Setting
System Failure

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	Feb-2019	Jan-2019	Dec-2018	Nov-2018	Oct-2018	Sep-2018
Stress Test (Write-Offs)* ($m)	145.7	144.3	142.6	140.2	137.5	134.4
Arrears >= 1 Month** (%, by value)	2.13	2.04	1.83	1.59	1.62	1.51
SPIN*** > 1 Month (%) - 2 month lag			1.01	0.95	0.98	0.97
Arrears >= 3 Months** (%, by value)	0.67	0.70	0.73	0.68	0.75	0.76
SPIN*** > 3 Months (%) - 2 month lag			0.51	0.48	0.49	0.49
Capitalised Arrears ($ '000) (No. of loans)	23 (11)	11 (8)	6 (6)	14 (10)	4 (6)	21 (11)
Customers in Advance (%)	65	66	66	67	66	67
No. Loans with Voluntary Instalments (%)	44	44	44	43	43	43
Properties for Sale (Realisations)	25	24	26	25	22	23
Capitalising loans >$50/mth ($ '000) (No. of loans)	N/A	1.6 (23)	1.5 (23)	1.6 (23)	1.5 (24)	1.5 (24)
Portfolio Loans > 100% LVR (%)	7.9	7.8	7.8	7.8	7.9	7.8
New Lending rated ARG grade 5 (%)	3.5	6.1	1.3	1.6	7.6	7.2
High LVR New Lending >95% - Graduate Loans (%)$^{+}$	51.4	52.9	49.6	45.7	45.0	48.0
High LVR New Lending >95% - Low Deposit Loan (%)$^{+}$	0.0	0.0	1.1	0.6	1.7	0.7
No. Channels 'A' Audit - New Lending (%)	N/A	100	100	100	100	100
No. Channels 'A' Audit - Arrears (%)	N/A	50	100	50	50	50
Borrowing Limit Capacity ($m)	208.4	216.2	219.3	239.8	158.3	170.6

** 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)	390	834,285	
Paid late, but paid within 30 days of due date	3	12,753	
Paid more than 30 days after due date	1	110	

CUSTOMER PERSPECTIVE - LOAN PORTFOLIO COMPOSITION

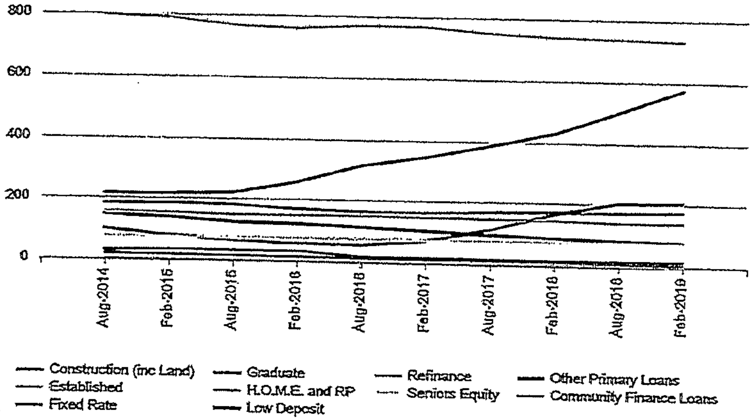
As at February 2019

Portfolio Value ($m) by Loan Type	Jun-2017	Jun-2018	Jan-2019	Feb-2019	Monthly Movement	YTD Movement
Construction (inc Land)	168.9	173.0	176.5	176.2	(0.3)	3.2
Established	760.1	739.7	735.9	733.5	(2.4)	(6.2)
Fixed Rate	100.9	197.9	208.4	207.0	(1.4)	9.2
Graduate	379.5	478.2	563.5	575.4	11.9	97.2
H.O.M.E. and RP	0.5	0.3	0.2	0.2	0.0	(0.1)
Low Deposit	99.8	85.4	78.6	77.5	(1.1)	(7.9)
Refinance	149.0	141.1	140.3	140.4	0.1	(0.7)
Seniors Equity	75.1	75.3	77.2	77.1	0.0	1.8
Other Primary Loans	14.5	12.1	11.0	11.0	0.0	(1.1)
Community Finance Loans	18.0	16.4	16.4	16.3	(0.1)	(0.1)
Primary Loan Portfolio	1,766.2	1,919.5	2,008.1	2,014.8	6.7	95.3
Advantage	68.7	74.7	77.0	77.1	0.1	2.4
Breakthrough	53.7	47.7	44.1	44.1	(0.1)	(3.7)
EquityStart	33.6	33.3	33.0	33.0	0.0	(0.2)
Shared Equity Option		0.1	2.4	2.4	0.0	2.3
Split Fixed	6.4	14.4	15.3	15.4	0.1	1.1
Wyatt	1.5	1.3	1.3	1.4	0.0	0.0
Other Secondary Loans	4.0	3.8	3.6	3.6	0.0	(0.2)
Secondary Loan Portfolio	167.8	175.4	176.8	177.1	0.3	1.7
Loan Portfolio	1,934.0	2,094.8	2,184.9	2,191.8	6.9	97.0

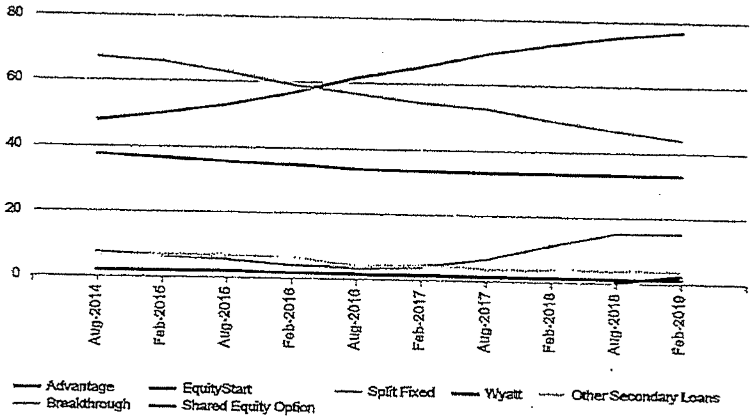
Primary Portfolio Count by Loan Type	Jun-2017	Jun-2018	Jan-2019	Feb-2019	Monthly Movement	YTD Movement
Construction (inc Land)	1006	1013	1011	1002	-9	-11
Established	6242	6025	5958	5913	-45	-112
Fixed Rate	572	899	923	916	-7	17
Graduate	1358	1698	1929	1970	41	272
H.O.M.E. and RP	78	58	58	54	-4	-4
Low Deposit	642	583	553	549	-4	-34
Refinance	1768	1667	1644	1631	-13	-36
Seniors Equity	1204	1167	1169	1161	-8	-6
Other Primary Loans	141	127	121	121	0	-6
Community Finance Loans	18	17	16	16	0	-1
Loan Portfolio	13,029	13,254	13,382	13,333	-49	79

Data excludes Loss Recovery and off balance sheet loans

Portfolio Value ($m) by Loan Type for Primary Lending



Portfolio Value ($m) by Loan Type for Secondary Lending



Comments/Actions:

Graduate Loan continues to yield strong results.

CUSTOMER PERSPECTIVE - LOAN ACTIVITY STATISTICS

As at February 2019

Loan Activities	February 2019		MTD Budget	Var	YTD Actuals		YTD Budget	Var
Approvals	**No.**	**$'000**	**$'000**	**$'000**	**No.**	**$'000**	**$'000**	**$'000**
Primary Loans	131	37,147			1,102	298,840		
Secondary Loans					8	1,746		
Subsidised Loans	37	1,009			303	9,889		
New Lending Approvals	131	38,155	40,035	-1,879	1,102	310,475	332,695	-22,219
New Lending By Loan Type								
Construction (inc Land)	9	2,493			96	25,485		
Established	20	5,385			299	70,134		
Fixed Rate	8	2,881			117	36,108		
Graduate	59	20,494			428	153,482		
Refinance	7	1,364			59	11,662		
Seniors Equity	3	288			79	6,635		
Low Deposit	0				8	2,370		
Lending total	106	32,905	40,035	-7,129	1,086	305,876	332,695	-26,819
Home Equity	12	238	371	-134	97	1,832	2,892	-1,059
New Lending total	118	33,143	40,406	-7,263	1,183	307,708	335,586	-27,879
Redraw	713	1,426	1,251	175	5831	10,697	9,740	957
Total Settlements	831	34,569	41,656	-7,087	7014	318,405	345,326	-26,922

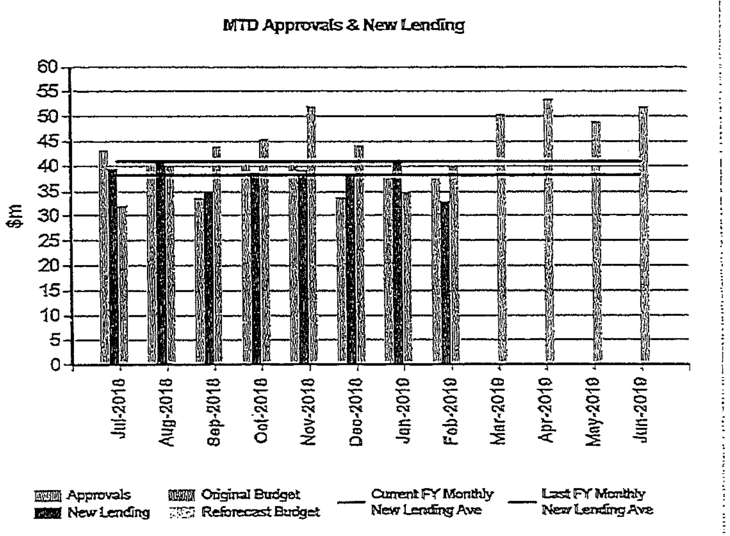
Data excludes Community Finance

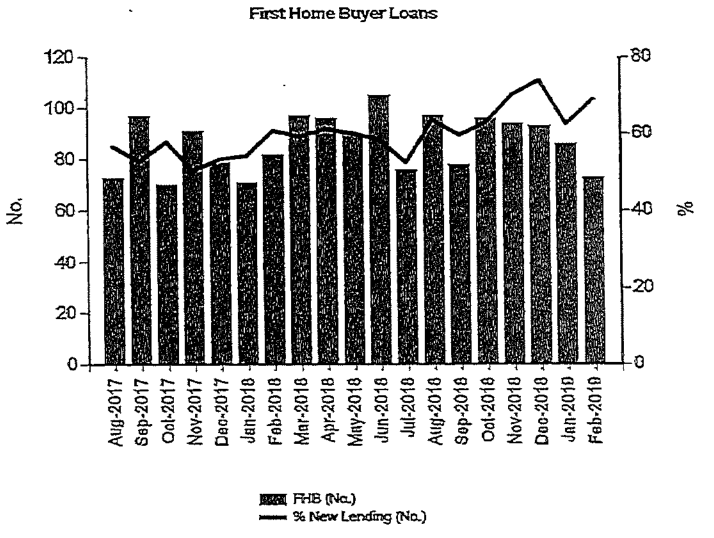
Indicator guide : <90 90 - 99 >=100 of target

Secondary Loans	February 2019				YTD Actuals			
	No.	**$'000**			**No.**	**$'000**		
Advantage	15	436			231	6,130		
EquityStart	3	140			21	984		
Shared Equity Option	1	49			33	2,270		
Split Fixed	2	405			11	2,679		
Wyatt	3	30			23	216		
Total	24	1,061			319	12,279		
	No.	**$'000**			**No.**	**$'000**		
Community Finance								

Comments/Actions:
Graduate loan approvals continue to be strong with 59/106 (56%).

Weaker month for settlements $32.9M vs target of $40M (82%) and weaker in comparison to February 2018 $37.392M.

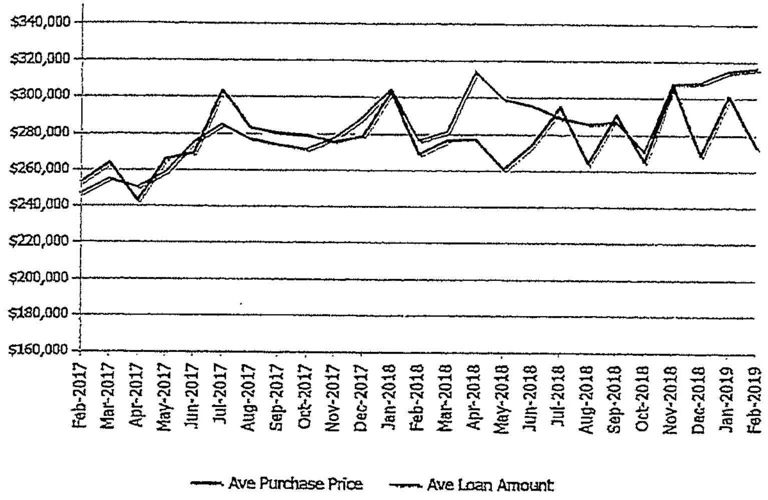




CUSTOMER PERSPECTIVE - NEW LENDING PROFILE

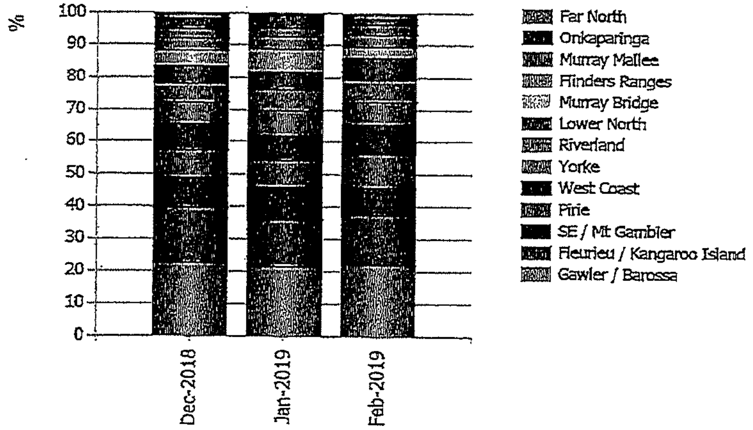
as at February 2019

New Lending Average Purchase Price vs Average Loan Amount*



* Excludes Seniors Equity Loans

Country Lending by Geographical Split^



New Lending Profile by No.

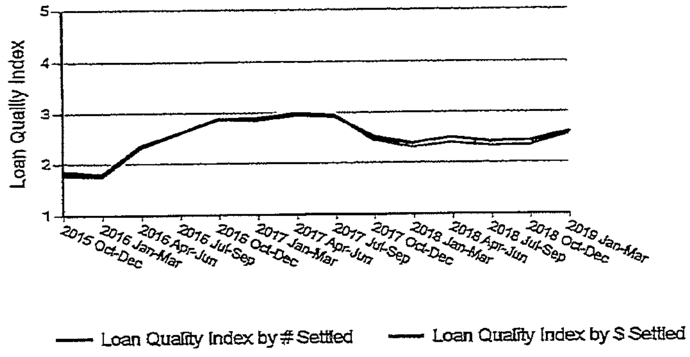
Buyer Status	Dec-2018 %	Jan-2019 %	Feb-2019 %	YTD %	FY2018 %
First Home Buyer	73.81	62.32	**68.87**	63.81	56.38
Non-FHB	26.19	37.68	**31.13**	36.19	43.62
Loan Type					
Construction (inc Land)	6.35	7.25	**8.49**	8.84	10.40
Established	28.57	23.91	**18.87**	27.53	24.51
Fixed Rate	12.70	10.14	**7.55**	10.77	21.14
Graduate	47.62	44.93	**55.66**	39.41	33.45
Low Deposit	0.79	0.00	**0.00**	0.74	0.90
Other Primary Loans	0.00	0.00	**0.00**	0.00	0.00
Refinance	1.59	7.25	**6.60**	5.43	4.38
Seniors Equity	2.38	6.52	**2.83**	7.27	5.23
Property Purchase Price (exc Seniors Equity Loans)					
<$150,000	18.70	10.85	**16.50**	14.90	15.78
$150,000 - $199,999	14.63	13.18	**18.45**	13.60	13.94
$200,000 - $249,999	13.01	18.60	**12.62**	14.20	13.82
$250,000 - $299,999	17.07	13.95	**13.59**	14.70	15.60
$300,000 - $349,999	14.63	13.95	**13.59**	15.29	13.76
$350,000 - $399,999	7.32	10.85	**6.80**	10.23	9.96
$400,000+	14.63	18.60	**18.45**	17.08	17.14
Ave Property Purchase Price	$269,235	$301,432	**$273,682**	$283,421	$279,380
Ave Loan Amount	$309,048	$315,240	**$316,669**	$297,160	$287,475
Original LVR (exc Seniors Equity Loans)					
>0 - <=80%	13.01	14.73	**16.50**	17.48	15.95
>80% - <=90%	8.94	12.40	**6.80**	11.02	11.74
>90% - <=95%	36.59	30.23	**31.07**	33.86	36.30
>95%	41.46	42.64	**45.63**	37.64	36.00
Geographical Split					
Country	15.08	17.39	**18.87**	20.26	21.25
Eastern	4.76	6.52	**8.49**	6.45	4.05
Northern	3.17	6.52	**0.94**	4.24	3.93
Northern Fringe	36.51	30.43	**28.30**	31.58	32.49
Onkaparinga	3.17	1.45	**7.55**	3.78	2.81
South	8.73	6.52	**4.72**	6.72	6.46
Southern Fringe	15.08	19.57	**19.81**	15.29	15.06
Western	12.70	11.59	**11.32**	11.51	13.72

Data includes Restructured loans and excludes Community Finance loans. Seniors Equity loans are also excluded where indicated.

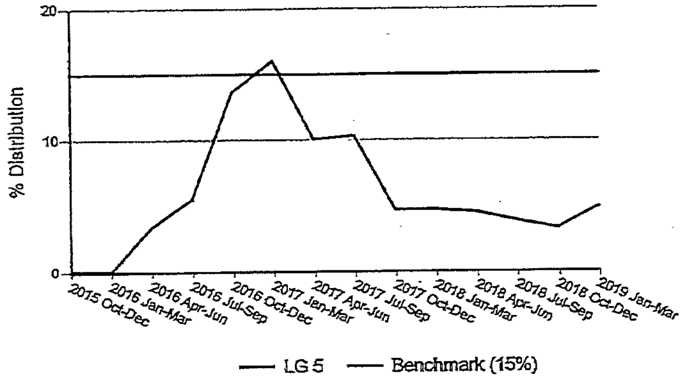
CUSTOMER PERSPECTIVE - APPLICATION .ISK GRADING DISTRIBUTION

As at February 2019

CP4

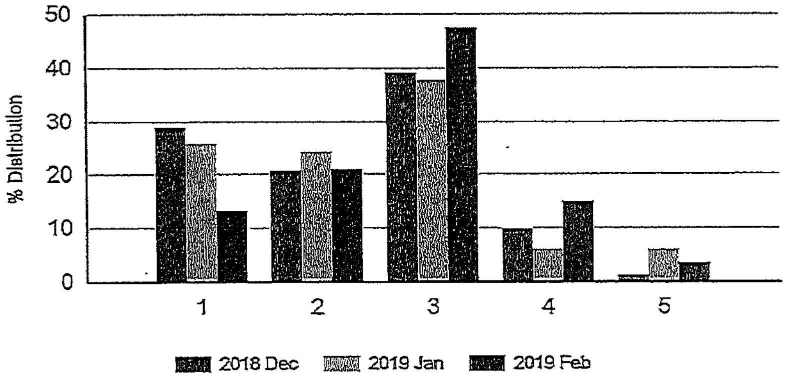

Loan Quality Index

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

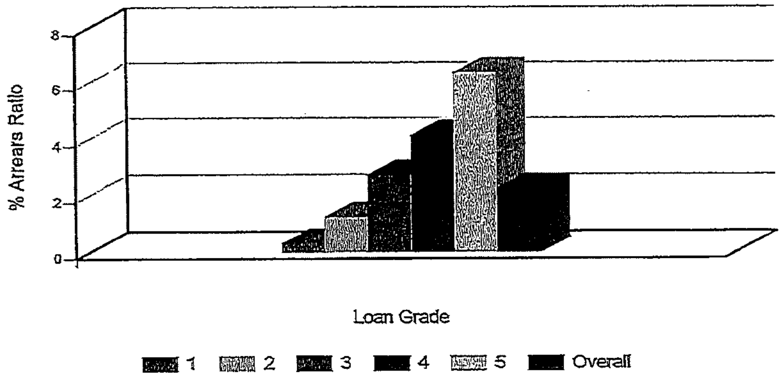

Loan Distribution (by $ Settled)

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

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


Loan Grade Distribution Comparision (by $ Settled)

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

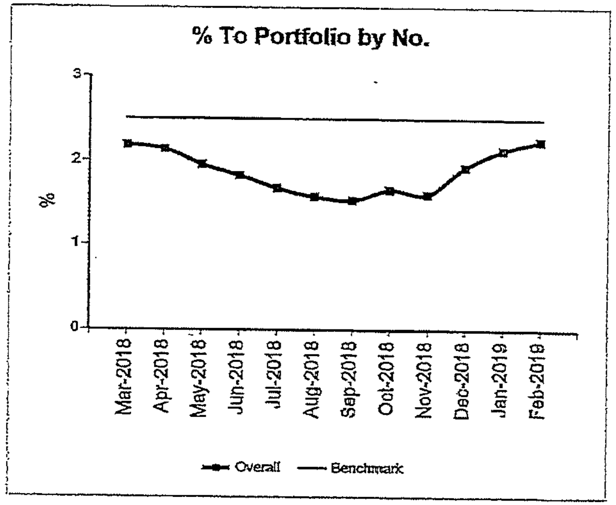

Arrears Ratio by Loan Grade

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

CUSTOMER PERSPECTIVE - ARREARS

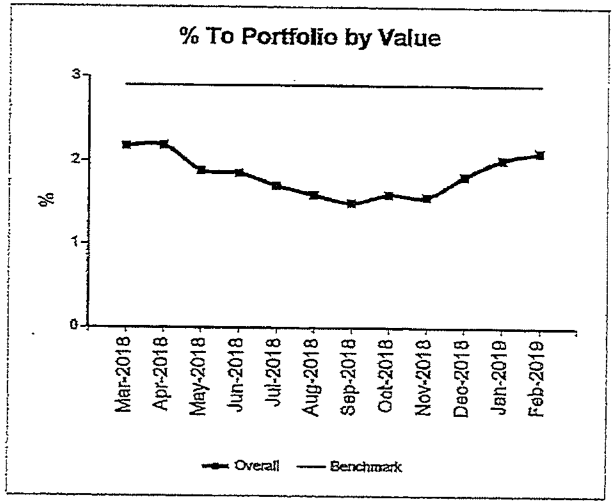
As at February 2019

	Feb-2018		Jan-2019	Feb-2019			
Months in Arrears	No. of Arrears	% to Portfolio by Value	% to Portfolio by Value	No. of Arrears	% to Portfolio by No.	% to Portfolio by Value	% to Portfolio 3 Mth Moving Avg by Value
1 Month in Arrears	126	0.97	1.04	128	1.05	1.10	
2 Months in Arrears	37	0.36	0.28	54	0.44	0.35	
3 Months in Arrears	18	0.17	0.20	23	0.19	0.14	
4 Months and over	77	0.64	0.50	69	0.56	0.52	
Total	**258**	**2.14**	**2.02**	**274**	2.24	2.11	**1.98**



	HomeStart Retail	Policy and Compliance	Realisations	Community Finance	Loss Recovery
1 Month in Arrears	114		14		
2 Months in Arrears	33		21		
3 Months in Arrears	5		18		
4 Months and over	4	1	64		
Total	**156**	**1**	**117**		
Portfolio*	11942	21	248	16	4
% Portfolio (No.)	**1.31**				
Orig. Arrears % (No.)	3.14				
Benchmark by No.	2.50				
% Portfolio (Value)	**1.20**				
Benchmark by Value	2.90				

Avg Age of Portfolio	7.1



* 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 February 2019

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	6	0	843	141
Pre Legal - Realisations	2	1	221	110
Mortgagee in Possession	2	0	424	212
Supreme Court	1	0	157	157
Hardship	2	0	366	183
Total	13	1	2,011	155

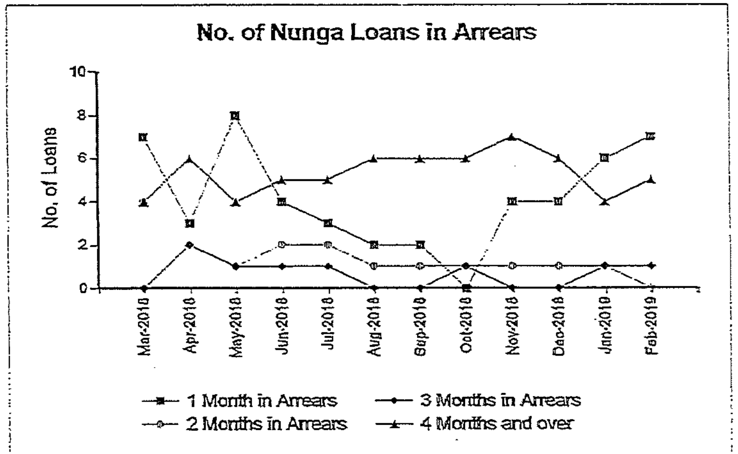
	Feb-2019	Jan-2019	Dec-2018	Nov-2018
No of Loans >=1 Month in Arrears	13	12	11	12
% to Nunga Portfolio by No.	11.40	10.53	9.48	10.17
Loans >=1 Month in Arrears ($ '000)	2,011	1,908	1,690	1,855
% Nunga Portfolio by Value	15.28	14.46	12.57	13.49

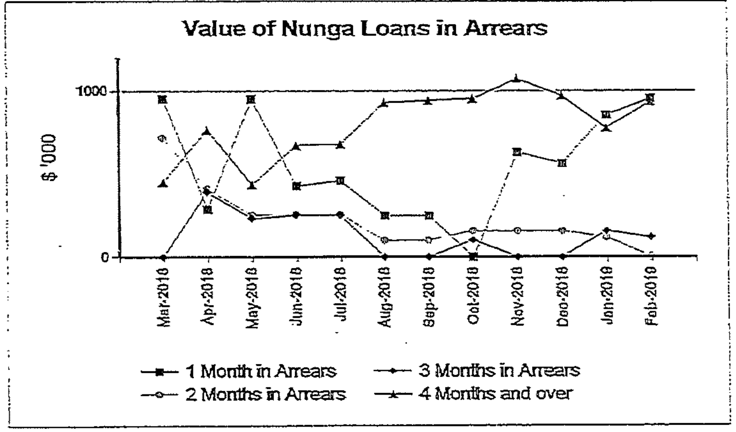
Comments/Actions:

A further increase in arrears cases by number and value compared to prior month; this was surprising due to the increased focus on activity that reduces or resolves the arrears cases so had expected a reduction compared to January.

On reviewing the detail, we have seen a significant increase in the number of cases moved from Hardship back to Collections for enforcement action - these are cases where the application has been withdrawn or our requests for information ignored.

The result is also consistent with the results yielded for same time in prior years.





INTERNAL PERSPECTIVE - REALISATIONS

As at February 2019

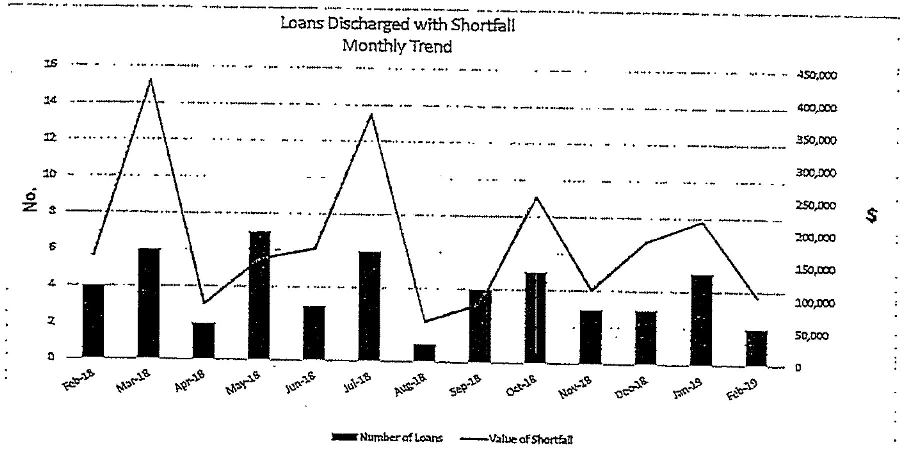
Portfolio - Realisations	Dec-2018	Jan-2019	Feb-2019
Opening Balance for Month	25	26	24
Add New Properties	4	4	3
Less Discharges	3	6	2
Closing Balance	26	24	25
Less Contracts in Hand	5	4	4
Properties for sale	21	20	21

Shortfall Details	Feb-19	YTD	Benchmarks
Total Shortfall - MIP and Voluntary ($)	104,863	1,418,759	2,370,113
Average Shortfall - Nunga ($)		0	
Average Shortfall - ex Nunga ($)	52,431		41,250
Average age of Current Stock (Days)	200		90
Time to Sale (Days)	110		120

Portfolio - Supreme Court & Pre Legal	Jan-19	Feb-19	YTD
Opening Balance	150	151	95
Add new Loans	15	17	103
Deceased	7	4	81
Sub Total	172	172	279
Less transferred to MIP/Realisation	3	2	28
Less Loans Discharged	6	2	37
Less Loans returned to Hardship/Retail	12	11	57
Closing Balance at month end	151	157	157

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	2	4	4	16	29
YTD Total $ Value	0	28,877	109,361	143,496	1,137,024	1,418,759



Comments/Actions:
The Board of HomeStart Finance is requested to note:

- 2 Mortgagee in Possession (MIP) discharges were completed in February 2019 with the condition of the properties considered 'Fair' and 'Average'; total approved Write Off value $104,864.
- 3 new shortfalls with a provisioned loss of $103,110 have been identified this month: 2 x Eviction and 1 x Voluntary Surrender; current YTD potential provisioned shortfalls are 24 properties with total provision of $1,468,549 (average $61,190).

IP - Legal Cases
February 2019

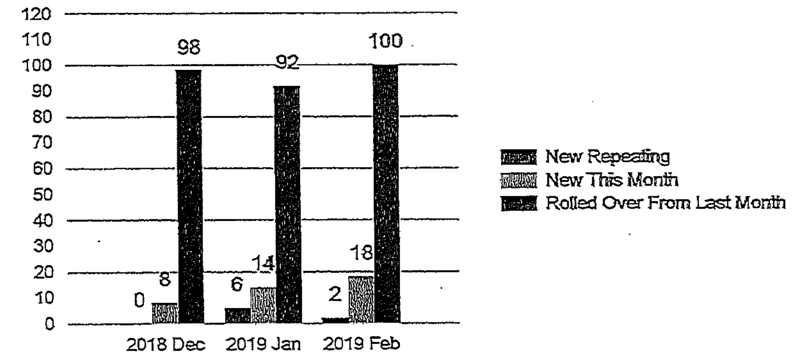
CP7

1903.1.15

HomeStart FINANCE

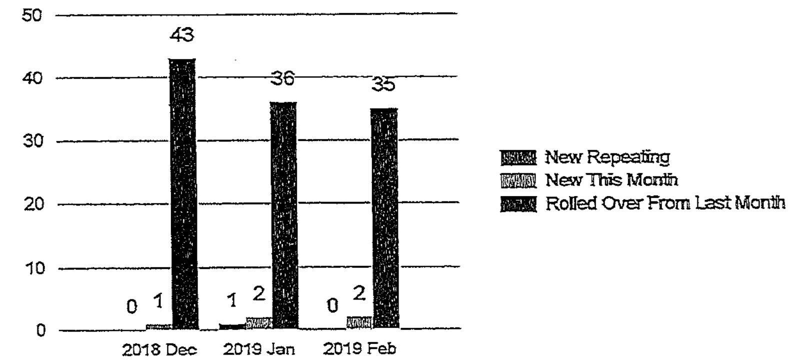
Pre-Legal	Primary Loans	Loan Balance	Arrears	Average Balance
Current	120	$12,915,323.30	-$597,905.30	
New Repeating	2	$348,089.77	$3,009.84	$174,044.89
New This Month	18	$2,340,300.41	-$285,355.94	$130,016.69
Rolled Over From Last Month	100	$10,226,933.12	-$315,559.20	$102,269.33
Outgoing	11	$1,057,470.42	-$40,957.06	
Discharged This Month	2	$0.00	$0.00	$0.00
Loss Recovery	0	$0.00	$0.00	$0.00
Mortgagee in Possession	0	$0.00	$0.00	$0.00
Pre Legal - Realisations	0	$0.00	$0.00	$0.00
Rehabilitated This Month	9	$1,057,470.42	-$40,957.06	$117,496.71
Supreme Court	0	$0.00	$0.00	$0.00

Pre-Legal Portfolio Trends



Supreme Court	Primary Loans	Loan Balance	Arrears	Average Balance
Current	37	$6,587,862.39	$299,992.42	
New Repeating	0	$0.00	$0.00	$0.00
New This Month	2	$508,473.72	$17,839.60	$254,236.86
Rolled Over From Last Month	35	$6,079,388.67	$282,152.82	$173,696.82
Outgoing	4	$633,235.98	$31,304.67	
Discharged This Month	0	$0.00	$0.00	$0.00
Loss Recovery	0	$0.00	$0.00	$0.00
Mortgagee in Possession	2	$366,976.69	$31,154.35	$183,488.35
Pre Legal - Realisations	0	$0.00	$0.00	$0.00
Rehabilitated This Month	2	$266,259.29	$150.32	$133,129.65
Supreme Court	0	$0.00	$0.00	$0.00

Supreme Court Portfolio Trends



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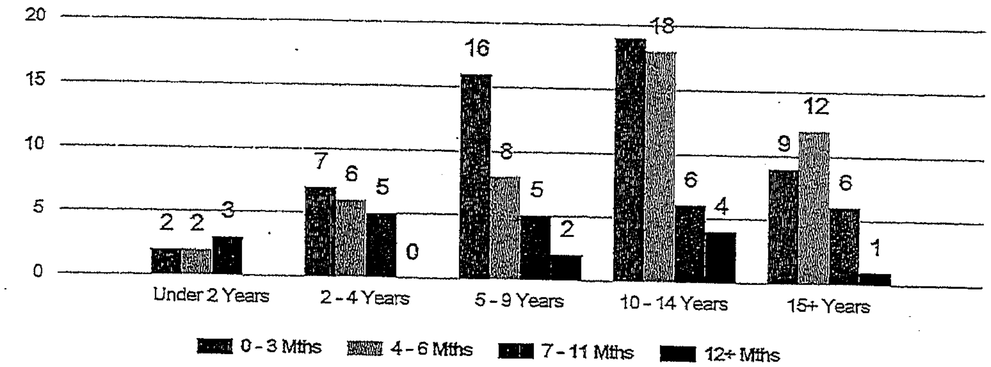
Months in Pre-Legal

Loan Age by Group	0 - 3 Mths	4 - 6 Mths	7 - 11 Mths	12+ Mths	Total
Under 2	2	2	3		7
2 - 4	7	6	5	0	18
5 - 9	13	7	4	2	26
10 - 14	17	16	4	4	41
15+	9	12	6	1	28
Total	48	43	22	7	120

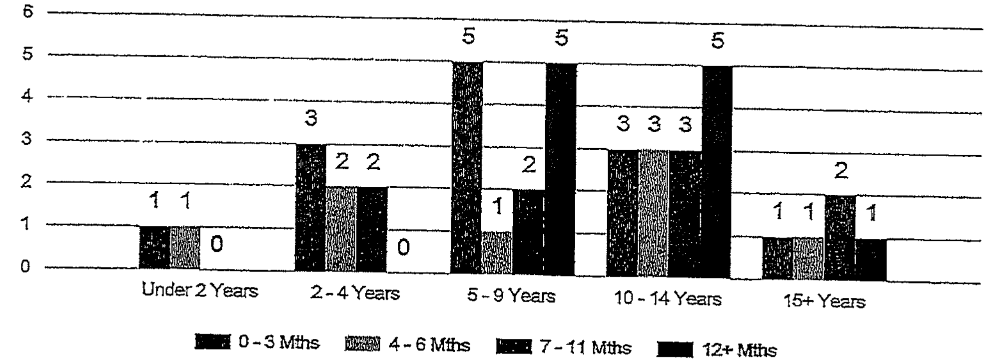
Continuing Pre-Legal Trends



Months in Supreme Court

Loan Age by Group	0 - 3 Mths	4 - 6 Mths	7 - 11 Mths	12+ Mths	Total
Under 2	1	1	0		2
2 - 4	3	2	2	0	7
5 - 9	4	1	2	4	11
10 - 14	3	3	3	4	13
15+	1	1	1	1	4
Total	12	8	8	9	37

Continuing Supreme Court Trends



Comments/Actions:
A slight reduction in loans within the legal sphere of recoveries which is mainly due to action resuming to full capacity via the Courts.

We have seen an increase in Voluntary Surrenders during February which require some legal intervention but are quicker to resolve overall. Many of the cases that 'roll over' each month are paying under Court instruction with an agreement, we will capitalise their arrears after a suitable period of demonstrating affordability.

Work has commenced on strengthening our policy and decisions pertaining to requests for early release of Super.

IP - Hardship Cases
February 2019

CP7

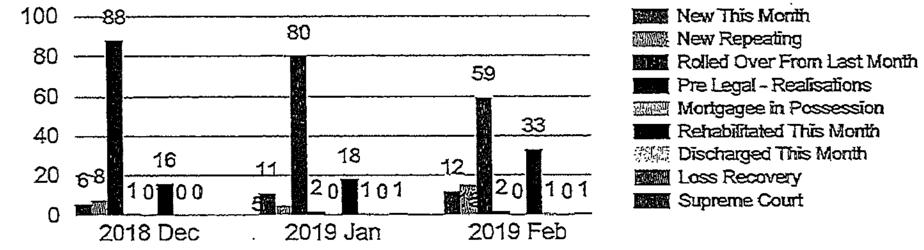
1903.1.16

HomeStart FINANCE

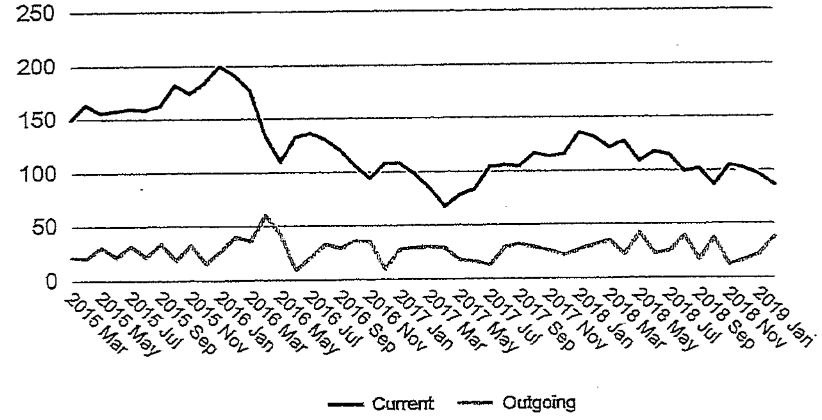
Government of South Australia

Hardship Status	Primary Hardship Count
Current	**86**
New Repeating	15
New This Month	12
Rolled Over From Last Month	59
Outgoing	**37**
Discharged This Month	1
Loss Recovery	0
Mortgagee in Possession	0
Pre Legal - Realisations	2
Rehabilitated This Month	33
Supreme Court	1

Hardship Portfolio Trends



\# Loans Held in Hardship



Comments/Actions:

We've seen an increase in the number of cases being moved out of Hardship back into Collections, in comparison to prior months. These cases are still considered 'in arrears' however have a recoverable position and do not need specific hardship assistance.

Considerable work has been undertaken in reviewing our processes and obligations under associated legislation and guidelines. As such, we are slowly refining the options available to our customers to provide a more agile and immediate resolution to their situation, that is compliant.

Overall, the trend remains static compared to prior months.

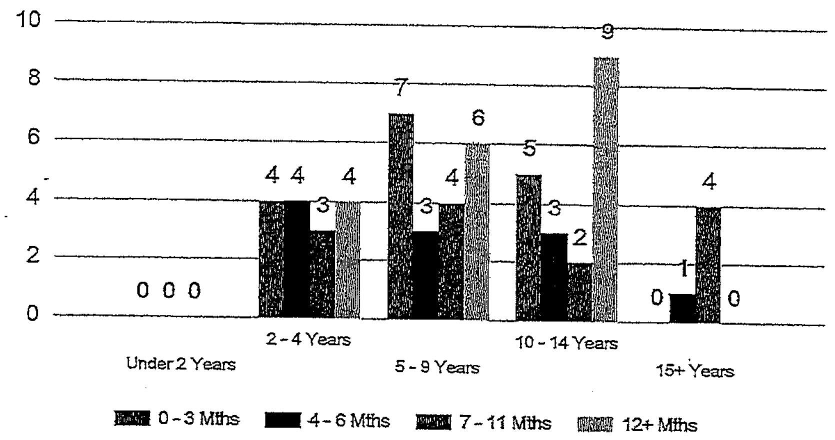
Months in Hardship

Continuing Hardship Loan Age by Group	0 - 3 Mths	4 - 6 Mths	7 - 11 Mths	12+ Mths	Total
Under 2	0	0	0		0
2 - 4	4	4	3	4	15
5 - 9	7	3	4	6	20
10 - 14	5	3	2	9	19
15+	0	1	4	0	5
Total	16	11	13	19	59

Months in Hardship

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

Continuing Hardship Trends



CUSTOMER PERSPECTIVE - CUSTOMER PROFI

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Metro** % 83.33

[redacted]

CUSTOMER PERSPECTIVE - EQUITYSTART, SEO AND BREAKTHROUGH ACTIVITY

As at February 2019

CP9

EquityStart	No.	$ '000	Shared Equity Option	No.	$ '000
PreApprovals	4	717	PreApprovals	6	1,828
Approved	10	2,219	Approved	6	2,035
Total	**14**	**2,936**	**Total**	**12**	**3,863**

New Lending	MTD		YTD		All	
EquityStart	**No.**	**$ '000**	**No.**	**$ '000**	**No.**	**$ '000**
EquityStart Loan		140		1,034		67,226
HomeStart Loans		638		4,215		198,263
Total Settled	**3**	**778**	**22**	**5,249**	**1475**	**265,489**

New Lending	MTD		YTD		All	
Shared Equity Option	**No.**	**$ '000**	**No.**	**$ '000**	**No.**	**$ '000**
HomeStart Loans		353		9,338		9,893
Shared Equity Option		49		2,334		2,469
Total Settled	**1**	**402**	**34**	**11,672**	**37**	**12,362**

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

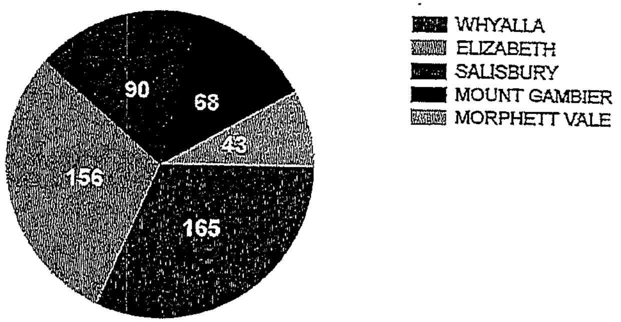
New Lending	All	
Off Balance Sheet - SAL	**No.**	**$ '000**
Off Balance Sheet		7,064
HomeStart Loans		23,355
Total Settled	**98**	**30,418**

EquityStart Portfolio	No.	$ '000	Shared Equity Option Portfolio		$ '000
EquityStart Loans	677	33,046	Shared Equity Option	36	2,405
HomeStart Loans		75,884	HomeStart Loans		9,180

Breakthrough Loans Portfolio		$ '000
Breakthrough Loans	505	44,062
HomeStart Loans		72,896

Comments/Actions:

Top 5 EquityStart Loan Settlement Locations



Breakthrough Loans Gains/Losses on Property Movements $ '000	MTD	All
Gains	120	5,390
Losses	(9)	(848)

Breakthrough Loan Current Portfolio by LVR	No.	$ '000	% by $
>100%	34	10,042	8.57
>95% - <=100%	38	10,160	8.67
>90% - <=95%	59	17,408	14.85
>80% - <=90%	130	31,978	27.28
>0 - <=80%	244	47,633	40.64
Total	**505**	**117,220**	**100**

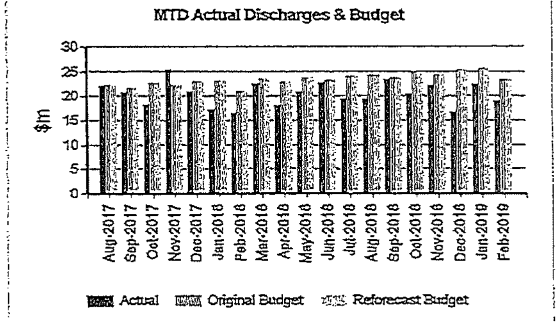
CUSTOMER PERSPECTIVE - DISCHARGES

As at February 2019

Discharges	BankSA	Bernie Lewis	Brokers	HomeLoans Plus	Internal - Adelaide	Internal - North	Internal - South	HLC	Total	YTD Budget
MTD No.	41	14	22	17	27	5	6	20	152	
MTD $'000	3,117	1,396	4,602	1,329	4,012	1,424	1,958	1,141	18,978	23,463
YTD $'000	21,934	14,685	59,566	13,384	31,763	6,434	9,320	6,268	163,354	196,961

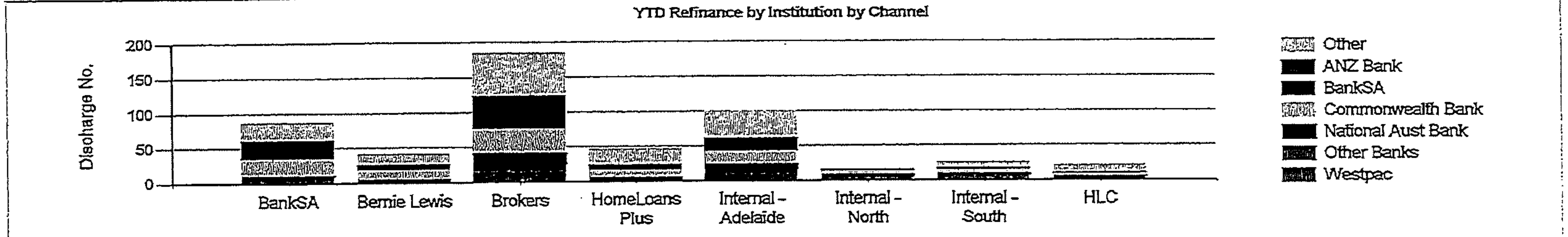
Discharge Summary by Loan Manager

MTD	BankSA	Bernie Lewis	Brokers	HomeLoans Plus	Internal - Adelaide	Internal - North	Internal - South	HLC	All Loans
Ave Age (yrs)	12.0	9.3	3.3	12.2	8.6	1.6	2.4	15.6	9.7
Benchmark (yrs)	3	3	3	3	3	3	3	3	3
Ave LVR %	33.32	37.14	60.60	26.60	46.42	90.51	90.26	21.73	50.82


MTD Actual Discharges & Budget

Discharge Reason by Loan Manager

YTD	BankSA	Bernie Lewis	Brokers	HomeLoans Plus	Internal - Adelaide	Internal - North	Internal - South	HLC	Total Avg %
Property Sold	36.68	34.12	18.67	33.00	31.32	13.04	15.63	41.46	27.99
Refinance	38.43	49.41	77.18	47.00	54.40	82.61	81.25	26.83	57.14
Repaid in Full	22.71	16.47	3.73	20.00	13.19	4.35	3.13	31.71	14.41
Other	2.18	0.00	0.41	0.00	1.10	0.00	0.00	0.00	1.23


YTD Refinance by Institution by Channel

Comments/Actions:

Discharges by $ value continues to track below the monthly budget and YTD is 83% of budget.
The number of discharges for the month of February at 152 is distorted by 65 Paid in Full discharges processed during the month which relate to bulk processing of loans paid off from October to January.

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 February 2019

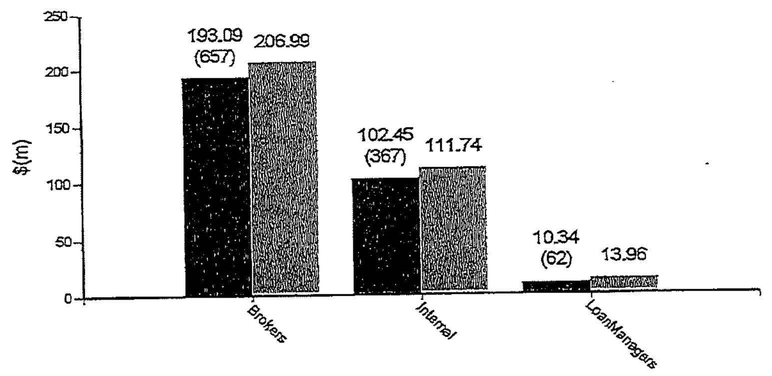
Channel Lending	Total	Brokers	Internal	LoanManagers
Approvals (No.)	131	90	41	
Approvals ($ '000)	38,155	27,448	10,708	
Lending (No.)	106	77	29	
Lending ($ '000)	32,905	24,726	8,179	
Average Loan Amount ($ '000)*	317	321	303	
Weighted Avg LVR of New Lending*	91.77%	92.45%	87.78%	
Home Equity ($ '000)	238		226	12
ReDraw ($ '000)	1,426	358	544	524
Total Settlements($'000)	34,569	25,084	8,949	536
Portfolio Management Details				
Portfolio Loans (No.)	13,337	3,117	3,496	6,724
Portfolio Loans ($ '000)	2,191,726	783,721	678,240	729,765
Portfolio Loans $ Value by Final LVR				
>0 - <=80%	59.95	7.21	13.64	39.10
>80% - <=90%	12.49	3.65	3.64	5.20
>90% - <=95%	12.99	6.44	4.27	2.28
>95% - <=100%	8.49	4.55	2.61	1.33
>100%	6.09	1.52	2.05	2.51
Total Net Commission Paid ($)		$222,303		$68,186

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

INTERNAL PERSPECTIVE - CHANNEL

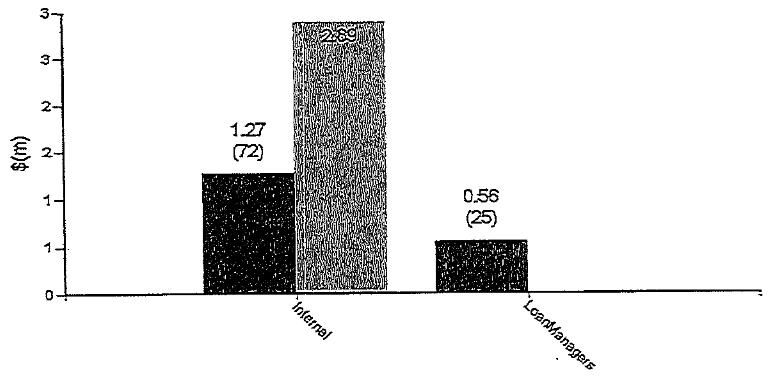
As at February 2019

YTD New Lending $ (#) by Channel



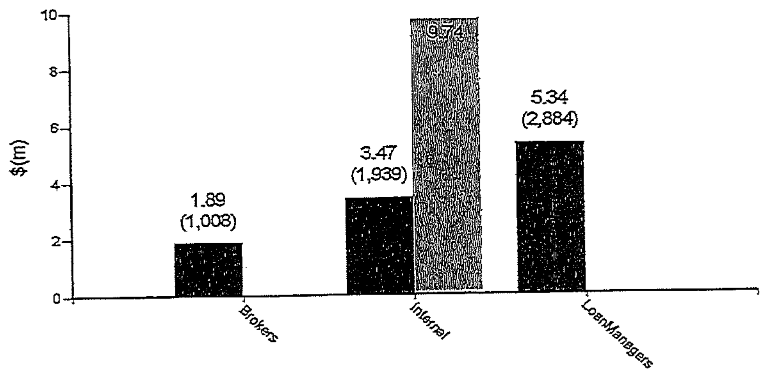
▨	YTD Target $m	332.69
■	YTD Actual $m	305.88
	Variance $m	(26.82)

YTD Home Equity $ (#) by Channel



▨	YTD Target $m	2.89
■	YTD Actual $m	1.83
	Variance $m	(1.06)

YTD Redraw $ (#) by Channel



▨	YTD Target $m	9.74
■	YTD Actual $m	10.70
	Variance $m	0.96

Comments/Actions:

A quieter month in settlements. Average loan size continues to grow from $277K (2018 combined) vs $317K (Jan 2019 combined). Internal lending has fallen slightly from 30% of total settlements to 27%.

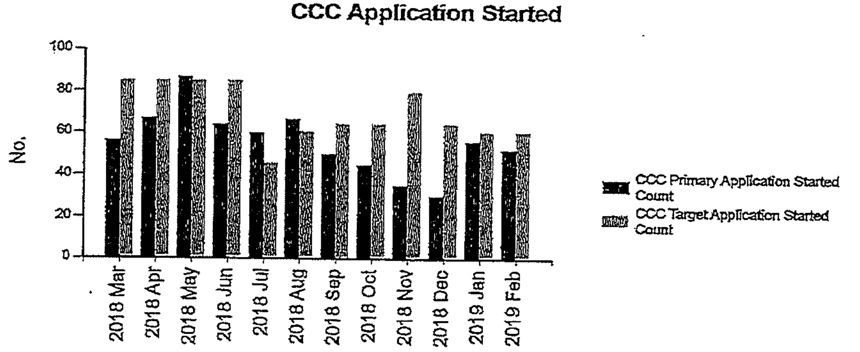
With the transfer of all Loan Managers to Broker/Introducer status there has been a significant reduction in commission paid ($290.5K - 2019) vs ($348.5K - 2018)

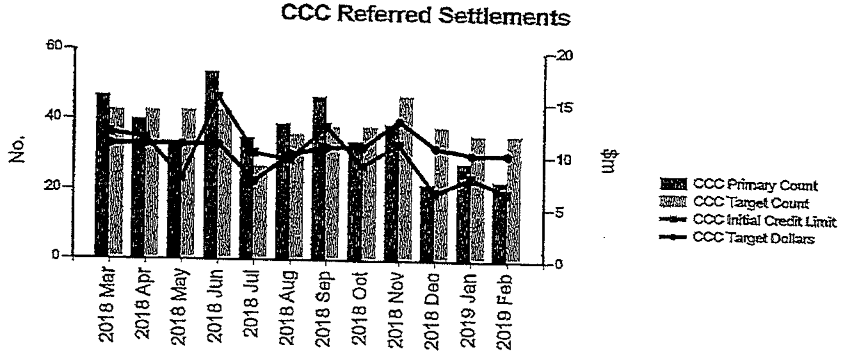
INTERNAL PERSPECTIVE - MARKETING, COMMUNICATIONS & CONTACT CENTRE ACTIVITIES

As at February 2019

IP2

CCC Referred	Conv % YTD	Targets	Actuals	MTD* Variance	YTD Targets	Actual YTD	YTD* Variance
Quotes Started #		146	145	100%	1200	1046	87%
Quick		84	98	117%	696	627	90%
Full		62	47	76%	504	419	83%
Applications Started #	94.27%	61	52	86%	502	395	79%
Application Submitted #	73.67%	45	35	77%	375	291	78%
Approvals #	68.61%	37	29	78%	306	271	88%
CCC Settlement #	98.52%	**36**	**23**	64%	**297**	**267**	90%
CCC Settlement $		**$10,158,115**	**$6,545,306**	64%	**$83,804,449**	**$73,806,917**	88%





CCC Comments/Actions:

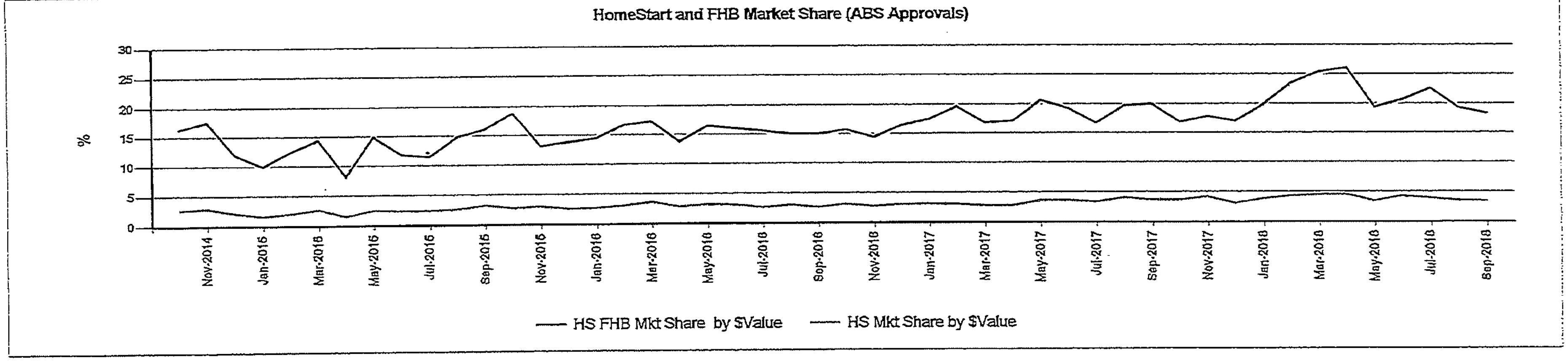
There were strong call and enquiry volumes during the month on the back of advertising however the quality of the calls were down as they were early in the home loan journey. This accounted for the lower applications started. Due to the lower applications started towards the end of last year settlements were down.

1903.1.21

INTERNAL PERSPECTIVE - MARKETING, COMMUNICATIONS & CONTACT CENTRE ACTIVITIES

As at February 2019

IP2



Marketing Comments/Actions:

We finished February at 127% of the MTD target and 104% of the YTD target. There were 40 posts across our social media channels with a total reach of over 200,000.

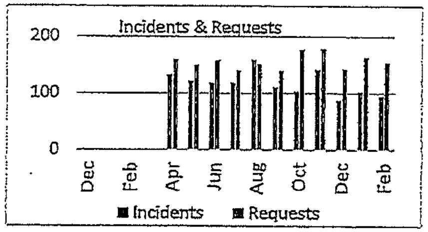
With the conclusion of school holidays the marketing campaign started across a range of channels which included TV advertising across both metro and regional SA with; 'Single Parent, Influencer, Young families and Up and Coming, and Graduate commercials'. Radio is underway on Mix, Hit, Nova and Fresh (for the first time) as did advertising on Catch Up TV and across outdoor billboards and Adshells. Promotion through regional cinema continued as well. On February 13 Andrew Mills represented HomeStart on Channel 9 News in a feature discussing a rise in home ownership rates among new migrants in South Australia. There were two other news pieces; one on news.com.au (Discovering Adelaide's top 10 suburbs for first home buyers) and The Sunday Mail Home Magazine (John Oliver's Top Tips: How to keep your budget in check when building).

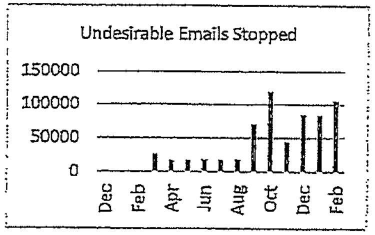
HomeStart Finance once again were the Naming Rights Partner for this year's 2019 HomeStart Fashion Graduate Parade which had over 500 attendees on the night, and held at the Flinders Uni Hub. HomeStart hosted an Ice Cream Cart pop up activation on the night, serving approximately 350 serves of St Louis Ice Cream. Along with providing goody bags to each guest and running a social competition pre and post the event to win prizes, including $400 David Jones voucher, $200 Endota Spa voucher and $100 Fringe voucher. This competition created 271 new leads. These leads were then sent nurturing emails that saw an open rate above 58% and a maximum click rate of 7.1%. A free Home Buyer Seminar was also held and had 82 attendees.

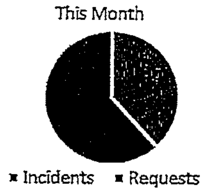
Broker communications for the month of February included a delay in service levels notice, a quarterly CPI adjustment and a broker survey, which 73 brokers answered.

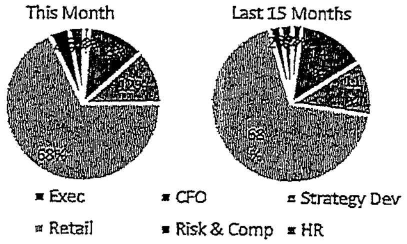
IP3 - Information Services Dashboard - for February 2019

Service







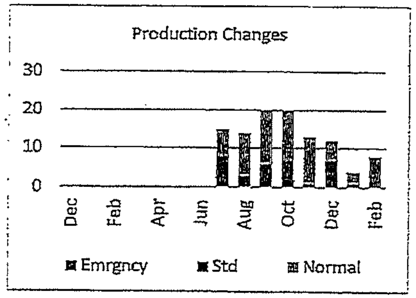


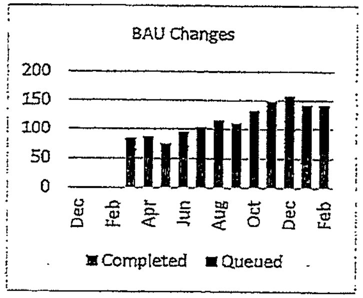
Incidents of Note:
None

Maintenance

Project	*Last*	*Current*	*Next*	*%*	*Key Points*
PeopleStreme upgrade	■	■	■	75%	Training and rollout due to commence 20 March
Exchange Upgrade	■	■		100%	Project Closed
Calculator simplification	■	■	■	65%	Testing 85% completed
Sandstone Upgrade	■	■	■	35%	SOW received and will be implemented in September 2019
AFCA Transition	■	■	■	25%	Establishing requirements
EquityStart Discontinuation	■	■	■	45%	Marketing material review underway
QMS Call Recording	■	■	■	45%	Option selected and awaiting SOW
Backup system	■	■	■	20%	Vendor selected and implementation scheduled for mid April
VMWare Upgrade	■	■	■	15%	
Windows Server version upgrade	■	■	■	15%	
Fees Review		■	■	15%	Market scan underway

Operations





Significant Issues:
None

Capability Building

Project	*Last*	*Current*	*Next*	*%*	*Key Points*
Core EDRMS	■	■	■	55%	Design completed and configuration commenced
Architecture Review	■	■	■	95%	Awaiting on closure documents
Lending Multiplier	■	A	■	35%	Vendor struggling for resources to complete work
Lending Governance	■	■	■	35%	POC completed and establishing reqirements
LiquidFiles Rollout	A	A	A	25%	Awaiting policy review to be completed by LARA
Enterprise Service Bus	■	■	■	45%	Development underway to CRM
Web Site Stage 1	■	■	■	35%	Detail design complete and awaiting SOW from vendor
Accounts Payable	■	■	■	30%	Developing requirements
End Point Protection	■	■	■	55%	Multifactor authentication has been de-scoped from project
Service Desk Manager	■	■	■	95%	Awaiting closure documentation
Log combination	■	■	A	10%	Responses did not meet requirements, reviewing options
Web Site Stage 2 - Broker	■	■	■	15%	Developing requirements

Board paper

Agenda Item: 1903.2

Topic:	Board Charter Review
From:	Kay Lindley
Date:	19/03/2019
Status:	Approving

1. Background

The Board Charter sets out the roles, responsibilities and key processes of the Board and is reviewed on an annual basis to ensure alignment with best practice governance. It is based on the principles of governance for public sector boards and reflects members' individual and collective accountabilities as provided in the *Urban Renewal Act 1995* and the public sector framework within which the Board operates.

2. Discussion

As a result of the latest review, only some stylistic and grammatical improvements have been made to the Charter.

3. Recommendation

That the Board approves the Board Charter.

Kay Lindley
Chief Risk Officer

HomeStart Finance

Board Charter 201

Logistics

Number: CHARTER_001
Effective Date: 20/03/2018
Approving Authority: Board of Management
Policy Owner: Chief Executive Officer
Due For Review: 1/05/2019

HomeStart
FINANCE

Table of Contents

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1. Background

This Charter sets out the roles, responsibilities and key processes of the HomeStart Finance Board ('Board') of Management.

2. Role of the Board

The primary role of the Board is to set the strategic direction for HomeStart Finance ('HomeStart') and provide effective governance over HomeStart's affairs.

The Board is responsible to the Minister for overseeing the operations of HomeStart with the goal of securing continuing improvements in performance and protecting the long term viability of HomeStart and the Crown's financial and other interests in HomeStart. The general management duties of the Board are set out in HomeStart's enabling legislation, the *Urban Renewal Act 1995* (SA) ('the Act').

In fulfilling this role, the Board must ensure that appropriate accountability and control systems are in place to monitor the meeting by management of organisational performance targets and compliance with corporate policies, regulations and ethical standards.

The Board will perform its role with regard to the principles of best practice corporate governance and the highest standards of ethical behaviour.

3. Key Board Responsibilities

(a) Approve a strategic plan that addresses the long term goals and objectives of HomeStart and monitor its performance;

(b) Consider and approve HomeStart's annual budget including revenue, profit, capital expenditure and cash flows.

(c) Monitor management's performance in the implementation and achievement of HomeStart's business objectives and strategies;

(d) Provide assistance to the Minister in proposing, for approval by the Governor, appropriate persons for appointment to the Board and managing the succession of Board members;

(e) Annually review the performance of the Board and its committees;

(f) Appoint the CEO, agree performance targets, monitor performance, set remuneration and monitor succession plans for the CEO;

(g) Monitor the performance and remuneration of the executive team and executive succession plans;

(h) Review and approve HomeStart's capital management policies and plans having regard to the various liquidity, capital adequacy, return and dividend requirements applying to HomeStart;

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(i) Monitor and review the effectiveness of systems of risk management and internal controls;

(j) Set the risk appetite within which Management is expected to operate;

(k) Oversee and monitor compliance with all relevant legal and regulatory obligations;

(l) Determine and approve dividends to be paid to government;

(m) Review and approve HomeStart's annual financial statements.

(n) Provide regular reports to the Minister on HomeStart's performance and promptly advise of any developments materially affecting HomeStart's financial operating capacity;

(o) Provide regular reports to the Minister on the initiatives of the Board and;

(p) Monitor Work, Health and Safety issues and verify that appropriate resources and processes are in place to achieve compliance with HomeStart's obligations.

4. Role of the Chair of the Board (Chair)

The Chair ~~of the Board~~:

(a) shall be appointed by the Governor;

(b) shall be an independent non-executive member as defined below.

The Chair is responsible for:

(a) representing the Board to the Minister;

(b) engaging and working collaboratively with stakeholders to promote the long-term objectives of the organisation;

(c) presiding over Board meetings;

(d) facilitating open and honest discussions at Board meetings to allow all members the opportunity to express their views;

(e) maintaining a regular dialogue and mentoring relationship with the CEO;

(f) monitoring the performance of the Board and individual members and;

(g) promoting the ongoing effectiveness and development of the Board.

5. Role of the Deputy Chair

The Ddeputy Chair is nominated for appointment by the Chair and:

(a) shall be appointed by the Governor;

(b) shall be an independent non-executive member as defined below.

The Ddeputy Chair is responsible for:

(a) presiding over Board meetings in the absence of the Chair;

(b) undertaking any other duties as required by the Chair.

6. Role of the Chief Executive O(CE)

The CEO is appointed by the Board, and is accountable to the Board, for the management of the day-to-day operations of HomeStart in accordance with the authorities delegated by the Board, the decisions of the Board, government policies and the law.

The CEO is responsible for the development and execution of strategic objectives and the achievement of organisational performance targets as approved by the Board.

In consultation with the Chair, the CEO represents HomeStart to external parties and key stakeholders as an official spokesperson for the organisation.

7. Role of the Board Secretary

The Board Secretary is responsible for the taking of minutes of the proceedings of Board meetings and fulfils aspects of the role of a company secretary as determined by the CEO from time to time.

8. Board Composition

The Board shall comprise seven (7) members, of whom a majority must be independent non-executive members as defined below.

The Board should be structured in such a way that it:

(a) has a proper understanding of, and competence to deal with, the current and emerging issues arising from HomeStart's activities and strategy;

(b) is able to make meaningful contributions to strategy and policy; and

(c) can effectively review and challenge the performance of management and exercise independent judgement.

The Board has committed to maintaining a gender balance.

9. Member Appointment and Induction

The Chair shall, having regard to Board composition and skill set, nominate candidates for appointment or reappointment to the Board and to the Minister. The Minister recommends the appointment of a member to the Governor in Executive Council.

Members are appointed to HomeStart's Board by the Governor pursuant to the ~~Urban Renewal~~ Act. Appointments and reappointments are published in the South Australian Government Gazette.

Upon appointment, new members shall meet with the CEO and members of executive management and be briefed on the operations of HomeStart.

10. Duties of Members

Members, including the Chair and Deputy Chair, are subject to a range of duties under statute, particularly the *Public Sector (Honesty and Accountability) Act 1995* (SA), and common law. Members are expected to take all reasonable steps to satisfy these duties.

In discharging their role members are expected to:

(a) Prepare for, attend and participate at Board meetings;

(b) Perform with competence, expertise and integrity;

(c) Communicate openly within the Board and with Management and~~;~~

(d) Acquire and develop sufficient knowledge of HomeStart, its business and regulatory environment.

11. Conflict of Interest

Members must disclose full and accurate details of any actual or potential conflict of interest. Any such disclosure must be minuted at a Board meeting and reported to the Minister. A conflicted member cannot attend, discuss or vote at a Board meeting on the conflicting matter.

12. Meetings

12.1 Frequency

The Board shall meet as often as deemed necessary by the members in order to fulfil their duties and responsibilities as members and as dictated by the needs of the business. It is expected that under normal circumstances the Board will meet at least once each month excluding January.

A meeting of the Board can be convened by the Chair or a majority of the Board members.

12.2 Attendance

Members must advise the Chair if they are unable to attend a meeting of the Board, prior to the meeting. Board attendance details are published in HomeStart's annual report.

The Treasurer's appointed Representative will attend Board meetings in accordance with Treasurer's Instruction 7.

The Board will meet together without the presence of executive management at least once per year to discuss matters pertaining to the company's executive management.

12.3 Quorum

As defined in the ~~Urban Renewal~~ Act, a quorum shall consist of a majority of Board members.

12.4 Voting

Each member present at a meeting of the Board has one vote on a question arising for decision and, if the votes are equal, the Chair, or in his absence the Deputy Chair, has a second or casting vote. If the Deputy Chair is also absent, the member appointed to Chair the meeting has a second or casting vote.

12.5 Circular resolutions

In accordance with the ~~Urban Renewal~~ Act, a resolution of the Board, of which prior notice was given to members in accordance with procedures determined by the Board, and in which at least the majority of members of the Board expressed their concurrence in writing, will be taken to be a decision of the Board made at a meeting of the Board.

Separate copies of a document may be used for signing by members if the wording of the resolution and statement is identical in each copy. A facsimile transmission or other document produced by mechanical or electronic means under the name of the member with the member's authority is considered to be a document in writing signed by the member..

12.6 Agenda

The agenda for Board meetings will be approved by the Chair and will be distributed to members with the Board papers prior to the Board meeting.

12.7 Papers

Board papers will be made available to members in electronic form prior to a Board meeting and distributed to key stakeholders. Board papers (excluding Realisations papers) will be distributed to the Minister and the Treasurer at the conclusion of the Board meeting with a summary of outcomes.

Board members must not distribute board papers without the Board's approval.

13. Independence of Members

Members are expected to exercise their judgement in an independent and unfettered manner. Accordingly, the Board shall regularly assess the independence of each member in light of interests disclosed by them. In assessing independence, the Board will consider the following matters. If a member:

(a) has within the last three years been employed in an executive capacity by HomeStart;

(b) has within the last three years been a material professional adviser to HomeStart ensuring the board remains sufficiently detached from management;

(c) a material supplier or customer of HomeStart, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(d) has a material contractual relationship with HomeStart other than as a member of the Board of HomeStart~~;~~, and

(e) has been a member of the Board for such a period that his or her independence may be compromised. In order to re-vitalise the Board and optimise independence, members support a best practice 9 year principle around tenure. The Board may however support a member's re-appointment beyond 9 years, if deemed advantageous to the organisation for reasons such as leadership or continuity.

14. Committees

The Board may establish committees to assist the Board in fulfilling its responsibilities.

Subject to a direction of the Minister, the membership of a committee will be determined by the Board and may, but need not, consist of, or include, members of the Board.

A committee that is established by the Board must have a formal charter, approved by the Board, and must report the minutes of meetings to the Board.

The Board has established:

(a) The Audit Committee; and

(b) The Asset and Liability Committee.

Board has also established a Credit Sub-committee.

15. Indemnity and Insurance Arrangements

An immunity provision is included in the *Public Sector Act 2009* (SA) so that no civil liability attaches to a board member for an act or omission in the exercise or purported exercise of official powers or functions. Any such liability attaches to the agency, that is, HomeStart.

HomeStart Board members are covered by personal accident insurance. The scope of cover includes all hazards to which a Board member is exposed provided that those hazards arise while attending authorised HomeStart Board, committee or business meetings and official functions including meetings interstate and including direct and uninterrupted travel to and from such meetings.

16. Board Effectiveness

The Board will undertake an assessment of its performance on an annual basis.

17. Remuneration

Board and committee members are entitled to remuneration and other allowances as determined by the Governor on the advice of Cabinet.

Members are entitled to an annual fee which is paid in accordance with Premier and Cabinet Circular PC016 – Remuneration for Government Appointed Part-Time Boards and Committees.

If members are appointed as an alternate (deputy) member of a committee, they are entitled to a sessional payment for each attendance as an alternate committee member as determined by the Chief Executive of the Department of Premier and Cabinet[1].

Board remuneration and benefit details are published in HomeStart's annual report.

18. Development

Members are entitled to undertake professional development activities that are relevant to their role as a HomeStart board member, cost effective and bring value to the organization.

Development activities are to be undertaken in accordance with the Board Member Development and Expenditure Policy.

19. Review of Charter

This Charter will be reviewed on an annual basis.

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[1] Minute DPC12/2624 dated 7/11/2012.

Board paper

Agenda Item: 1903.3

Topic:	Audit, ALCO and Credit Sub-Committee Charter Reviews
From:	David Hughes
Date:	19/03/2019
Status:	Approving

1. Background

The HomeStart Board is responsible for the Audit, ALCO and Credit Sub-Committee Charters which are reviewed annually in February by each respective committee for referral to the Board.

2. Discussion

There have been no changes to the text of each of the Charters and have been approved by their respective Committee's. Effective and Review dates are the only changes to ensure the Charters remain current.

3. Recommendation

That the Board approves the revised Audit, ALCO and Credit Sub-Committee Charters for 2019.

David Hughes
Chief Financial Officer

HomeStart Finance

~~Audit Committee Charter 2018~~Audit Committee Charter 2019

Logistics

Number:	CHARTER_002
Effective Date:	~~20/02/2018~~19/02/2019
Approving Authority:	Audit Committee
Policy Owner:	Chief Executive Officer
Due For Review:	1/02/2019

Government of South Australia

HomeStart FINANCE

Table of Contents

1. Background

This Charter sets out the role, responsibilities and key processes of the HomeStart Finance Audit Committee.

2. Role of the Audit Committee

The HomeStart Board has established the Audit Committee to assist the Board in discharging its governance responsibilities in the following areas:

- monitoring risk management processes and status of risks and internal controls;
- reviewing the financial reporting processes and outputs;
- reviewing compliance with relevant laws and regulations; and
- monitoring the internal and external audit functions.

The Audit Committee shall report to the Board regularly on Committee activities, issues and related recommendations and shall provide the Board with:

- Minutes of Audit Committee meetings;
- Annual internal audit program;
- Annual work program for the Audit Committee

3. Authority

The Audit Committee is responsible to the Board and is a sub-committee of the Board.

The Board authorises the Audit Committee, within the scope of its responsibilities, to seek any information it requires from:

- HomeStart employees;
- External parties including legal or other independent advisors.

4. Responsibilities

4.1 Risk Management

(a) Monitor the development, implementation and effectiveness of the Enterprise Risk Management Framework and Risk Management Plan;

(b) Assess the impact of HomeStart's culture of Enterprise Risk Management and ensure there is open and honest disclosure of residual risks without fear or favour;

(c) Ensure the organisational strategy and risk matrices are aligned with risk appetite;

(d) Monitor the key risks via the risk profile;

(e) Monitor the effectiveness of controls;

(f) Oversee the management of key risks and incidents and the implementation of treatment plans;

(g) Ensure a Crisis Management Response Framework is in place and oversee the implementation of learnings from testing of the components;

(h) Approve the annual updates to the components of the Crisis Management Response Framework;

(i) Ensure adequacy of resources and capability exists for the management of risks;

(j) Review HomeStart Management's establishment and operation of an organisation-wide risk management system;

(k) Consider the adequacy and effectiveness of HomeStart's systems of accounting, internal control and delegations of authority to assess whether adequate processes are in place, maintained and monitored by reviewing reports from HomeStart Management and the internal and external auditors, and by monitoring HomeStart Management's responses and actions to correct noted deficiencies;

(l) Report to Board any matters that may have a significant impact on the financial condition or affairs of the entity;

(m) Review the adequacy of HomeStart's insurance cover to assess whether assets are safeguarded and the business is sufficiently protected.

4.2 External Reporting

(a) Assess the processes in place to review significant external reports prior to their release.

4.3 Financial Reporting

(a) Review significant accounting and reporting issues monitoring their impact on the business;

(b) Review with Management and the external auditors the results of audits, including any difficulties encountered;

(c) Review the annual financial statements prior to their approval by the Board considering whether they are complete and consistent with relevant information known to committee members;

(d) Review the content of the non-financial sections of the annual report relevant to particular Audit Committee responsibilities, for example, Corporate Governance and Risk Management;

(e) Review recent professional and regulatory pronouncements and their impact on the accounting processes and financial reports;

(f) Review the draft financial statements to assess whether they represent a true and fair view of HomeStart's financial position and performance.

4.4 Compliance with Laws and Regulations

(a) Monitor the effectiveness of the system for maintaining compliance with the various rules, regulations and laws which relate generally to HomeStart's business;

(b) Review the process for communicating and monitoring compliance by employees with codes of conduct, including that such codes are reviewed and monitored periodically;

(c) Obtain updates from Management and the Legal Officer regarding legal and compliance matters and monitor the organisation's adherence to relevant laws and regulations.

4.5 Internal Audit

(a) Approve the annual Audit Plan

(b) Monitor the effectiveness of the internal audit ensuring satisfaction of HomeStart's obligations under subsection 27(1) of the Urban Renewal Act 1995 which requires "the effective internal auditing of its operations";

(c) Recommend to the Board the appointment of the internal auditor and consider and approve the audit fee;

(d) Evaluate the scope of the annual work program ensuring it is adequate and that emphasis is placed on areas where the Audit Committee, Management or the auditors believe special attention is necessary. Any overlap with the external audit should be reviewed and the scope of work amended if suitable;

(e) Evaluate the independence, objectivity and effectiveness of the internal audit functions;

(f) Review the efficiency and effectiveness of the internal auditor in relation to the their responsibilities;

(g) Monitor whether there have been any unjustified restrictions or limitations placed on the internal auditors;

(h) Liaise with the internal auditors in reviewing and assessing the findings of the respective audits, the action to be taken and timetable proposed by Management in response to the findings;

(i) Foster the development of an effective internal audit function (whether or not specific areas of it are outsourced) and monitor the performance of that function;

(j) Meet with the internal auditor independent of Management on an annual basis;

(k) Facilitate an open avenue of communication between the internal and external auditors.

4.6 External Audit

HomeStart has its accounts and financial statements audited by the Auditor-General or their sub-contractor who are herein collectively referred to as the External Auditor. HomeStart's Audit Committee responsibilities are therefore limited to:

(a) Review of the scope work of the External Auditor to co-ordinate the internal and external audits and to discuss with the External Auditor any recent changes to the business for inclusion in the audit if deemed appropriate by the External Auditor;

(b) Liaise with the External Auditor in reviewing and assessing audit findings, action to be taken and timetable proposed by Management in response to the findings;

(c) Review External Audit Management letters;

(d) Monitor whether there have been any unjustified restrictions or limitations placed on the External Auditor;

(e) Meet with the External Auditor, independent of Management, on an annual basis.

Note: In line with the Auditor-General's policy, no internal consulting will be requested of the External Auditor by HomeStart without the prior approval of the Board and confirmation of the Auditor-General.

4.7 Other Responsibilities

(a) Maintain an effective Audit Committee Charter in line with best practice and fit for purpose;

(b) Report to the Board any matter identified during the course of carrying out its duties that the Audit Committee considers necessary to so report;

(c) Perform, or undertake on behalf of the Board, any tasks or actions as the Board may from time to time request;

(d) Assess emerging issues for the business and consider an appropriate response;

(e) Review corporate governance best practice and trends in relation to Audit Committee practice recommending any changes deemed appropriate to the Board.

5. Composition

The Audit Committee shall comprise three members all of whom will be independent non-executive members of the Board.

The Chair of the Audit Committee will be appointed by the Chair of the Board and will not be the Chair of the Board.

An alternate member will be elected from amongst Board members to attend Audit Committee meetings in the absence of any of the regular members.

Members are to be financially literate with at least one member having financial reporting expertise.

Membership of the Audit Committee will be reviewed by the Board on an annual basis to assess whether an appropriate balance of experience and skills is maintained.

There will also be other regular attendees nominated by the Audit Committee, commonly:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Risk Officer;
- Head of Retail;
- A representative of the internal auditor;
- A representative of the external auditor;
- Senior Financial Accountant;
- Minute taker.

The Audit Committee may invite such other persons as it deems necessary.

6. Role of the Chair

The Chair of the Audit Committee is responsible for:

- Presiding over Audit Committee meetings;
- Leading discussion at meetings, promoting an open and honest dialogue between the Committee, Management and the internal and external auditors;
- Reporting formally and informally to the Board;
- Attending formal and informal meetings with Management, the head of internal audit and external audit as required;
- Arranging for a periodic review of the effectiveness of the Audit Committee and its charter.

7. Member Induction

New committee members will receive relevant information and briefings on their appointment to assist them in meeting their committee responsibilities.

8. Conflict of Interest

At the beginning of each Audit Committee meeting, members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately minuted and reported to the Board.

9. Meetings

9.1 Frequency

The Audit Committee shall meet a minimum of six times per year.

A meeting of the Audit Committee can be convened by the Audit Committee Chair or a majority of members.

The internal and/or external auditors may meet with any, or all, of the Audit Committee members or a member of HomeStart Management, as required.

Audit Committee should meet annually with the internal and external auditors and Legal Officer, independently of Management, to consider any matters relevant to their responsibilities.

9.2 Quorum

A quorum shall consist of two members.

9.3 Agenda and Papers

Audit Committee meeting papers will prepared and made available to members, and other attendees as appropriate, prior to meetings.

9.4 Minutes

The proceedings of Audit Committee meetings will be minuted. Minutes must be confirmed by the Chair and are to be provided to the Board.

10. Assessment

The Chair of the Audit Committee, in consultation with the Chair of the Board, will initiate a review of the performance of the Committee on an annual basis. The results of the assessment shall be reported to the Board.

11. Review of Charter

This Charter will be reviewed on an annual basis. Any substantive changes will be approved by the Board.

HomeStart Finance

Asset & Liability Committee Charter

Effective 19 February 2019

Contents

1 Purpose

This charter identifies the objectives, responsibilities, authority, membership and reporting of the Asset and Liability Committee (ALCO).

2 Role of ALCO

The HomeStart Board has established ALCO to:

- Manage HomeStart's asset and liability risk in a prudent manner;
- Maintain sound, prudent financial asset and liability management practices that result in the long term financial viability of HomeStart;
- Contribute towards performance targets set by the Government.

3 Authority

ALCO is responsible to the Board and is a sub-committee of the Board. ALCO is empowered to enter into investments, borrowings and off-balance sheet transactions, as approved in accordance with Treasury policies. These powers are delegated to the Chief Financial Officer or Asset & Liability Specialist, as appropriate.

ALCO may delegate all or some of its powers to a sub-committee, as required. The daily monitoring of compliance with policy and strategy is delegated to the Chief Financial Officer.

4 Responsibilities

4.1 Manage HomeStart's asset and liability risks in order to maximise net interest margin whilst complying with Treasury policies.

4.2 For Treasury policies:

a) Monitoring adherence on a global basis;
b) Monitoring relevance;
c) Notifying Board of any changes.

4.3 Review and approve changes on variable asset price setting and implementation and notify Board of any changes.

4.4 Review and approve changes to HomeStart's asset pricing and product mechanics policy and notify Board of any changes.

4.5 Manage HomeStart's capital base.

4.6 Review borrowing limits set by the Department of Treasury and Finance.

4.7 Manage HomeStart's residual mortgage default risk by monitoring the overall provisioning policies and actuarial reviews to assess potential future credit loss.

5 Composition

ALCO shall comprise five members three of whom will be independent non-executive members of the Board. HomeStart's Chief Executive Officer and Chief Financial Officer will also be members.

The Chair of ALCO will be appointed by the Chair of the Board and will not be the Chair of the Board. An alternate member will be elected from amongst Board members to attend ALCO Committee meetings in the absence of any of the regular members.

Membership of ALCO will be reviewed by the Board on an annual basis to assess whether an appropriate balance of expertise and skills is maintained.

There will also be other regular attendees nominated by ALCO, commonly:

- Head of Retail;
- Asset and Liability Specialist; and
- Minute taker.

6 Role of the Chair

The Chair of ALCO is responsible for:

- Presiding over ALCO meetings;
- Leading discussion at meetings and promoting an open and honest dialogue between members;
- Reporting formally and informally to the Board;
- Attending formal and informal meetings with Management as required;
- Arranging for a periodic review of the effectiveness of ALCO and its charter.

7 Member Induction

New members of ALCO will receive relevant information and briefings on their appointment to assist them in meeting their committee responsibilities.

8 Conflict of Interest

At the beginning of each ALCO meeting, members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately minuted and reported to the Board.

9 Meetings

9.1 Frequency

ALCO shall meet on a monthly basis, excluding January, or more frequently as required. In the event that an ALCO meeting does not take place, the Chair of ALCO must inform the Board at its next meeting stating the reason/s for not meeting.

9.2 Attendance

Members must advise the Chair of ALCO if they are unable to attend a meeting, prior to the meeting. ALCO attendance details are published in HomeStart's annual report.

9.3 Quorum

A quorum shall consist of three members, at least two which must be Board members.

9.4 Agenda and papers

The agenda for ALCO meetings will be approved by the Chair and will be distributed to members prior to meetings.

ALCO meeting papers will be prepared and made available to members, and other attendees as appropriate, prior to meetings.

9.5 Minutes

The proceedings of ALCO meetings will be minuted. Minutes must be reviewed by the Chair and are to be provided to the Board.

HomeStart Finance

Credit Sub-Committee Charter 2019

Logistics

Number:	CHARTER_004
Effective Date:	19/02/2019
Approving Authority:	Credit Sub-Committee
Policy Owner:	Chief Executive Officer
Due For Review:	1/02/2019

Table of Contents

1. Background

The purpose of this charter is to identify the membership, responsibility and authority of the Board Credit Sub-Committee (BCSC).

HomeStart's Board of Management (Board) delegates to the BCSC the powers detailed below.

The BCSC is established as a sub-committee of Board and is not a Board committee. Membership of the BCSC carries no additional remuneration or entitlements beyond those provided to members as part of their Board membership.

It's noted that the BCSC is at all times subject to all Treasurer's Instructions including Treasurer's Instruction 8 (TI8) which governs payment delegations and requires that payments above $1.5m require approval by the Minister while payments of $15m or more must be approved by the Cabinet.

2. Committee Responsibilities

HomeStart's CEO has the capacity to approve individual loan applications up to and including $1.5m where the resulting aggregate exposure to the borrower does not exceed $1.5m. These applications will not be referred to the BCSC for either approval or noting.

Individual loan applications which are up to and including $1.5m where the resulting aggregate exposure to the borrower exceeds $1.5m will require the approval of the BCSC on behalf of the HomeStart Board before proceeding.

Individual loan applications greater than $1.5m will require the approval of either the Minister or the Cabinet, in terms of Treasurer's Instruction 8 (see above) regardless of the aggregate exposure. These applications will be referred to the BCSC prior to their submission to the Minister/Cabinet, with a resolution of the BCSC supporting the application on behalf of the Board being required before a submission to the Minister/Cabinet can be made.

3. Membership

The BCSC comprises two members of HomeStart's Board, appointed by resolution of the Board. As at February 2019 membership consists of:

- Chris Ward (Chair)
- Jim Kouts
- Darryl Royans

A meeting of the BCSC requires the attendance of two members to establish a quorum. A resolution of the BCSC requires the concurrence of two members.

Meetings will be held as required. It is anticipated that most resolutions of the BCSC will not require a meeting, but will be made by an exchange of emails.

4. Review of Charter

This Charter will be reviewed on an annual basis. Any changes must be approved by the Board.

Board paper

Agenda Item: 1903.4

Topic:	Register of Financial Authorisations 2019
From:	David Hughes
Date:	19/03/2019
Status:	Approving

1. Background

The Register of Financial Authorisations (RoFA) is made up of three documents, as explained in the attached document.

Document 1 – Framework and Overarching Policy is required to be reviewed and approved annually by Audit Committee and Board in February and March respectively.

It provides a framework for the rest of the RoFA documents and contains:

- An explanation of the different types of financial authorisations
- General rules
- Authority of the Minister
- Authority of the Board
- TI 8 and exceptions to TI 8
- Variation to TI 8
- Transfer of authorities during leave absences
- Financial Authorisations when the Business Continuity Plan is invoked
- Definitions.

2. Discussion

Management has reviewed applicable legislation and Treasurer's Instructions (TIs) relating to financial authorisations and have made changes to this document to reflect changes to TI's effective from May 2018. All changes have been "marked up" in the document for easy identification and are summarised below.

- Removed reference to Loan Managers
- Deleted comment "The discharge of loans to employees, their families and associates must be approved by the CEO" from the general rules relating to segregation of duties
- Amended Minister's title from "Minister for Housing" to "Minister for Transport, Infrastructure and Local Government and Minister for Planning"
- Amended reference from "SAHT" to "Housing SA"
- Updated Attachment B for changes to TI 8 added item 8.19 to 8.20 special provision relating to interest payments
- Amended approval limit in Attachment C for waiver of debts as per Treasurer's directive to Ministers dated 9 January 2006

- Deleted from Attachment D the comment "It should be noted that only the CEO/Acting CEO, Head of Strategy, Chief Financial Officer, Chief Risk Officer and Head of Retail may authorise the purchase of IT hardware and software (unless the CEO approves otherwise)."
- Amended Attachment D for personnel changes.

3. Recommendation

That the Board approves the Framework and Overarching Policy for the Register of Financial Authorisations (Document 1) as reviewed and approved by the Audit Committee in February.

David Hughes
Chief Financial Officer

Government
of South Australia

HomeStart
FINANCE

Register of Financial Authorisations

Document 1

Framework and Overarching Policy

February 2019~~8~~

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Table of Contents

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Document Control Sheet

Document Details

Document name	Register of Financial Authorisations
Responsible officer	Chief Financial Officer
Approval	Board (following recommendation from the Audit Committee).
Status	Current
Issued	February 2019~~2018~~
Next review	February 2020~~2019~~

Contact person (for enquiries or amendments)

Name	David Hughes
Position	Chief Financial Officer
Telephone number	8203 4042
Email address	dhughes@homestart.com.au

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Purpose and scope of this document

HomeStart's Register of Financial Authorisations (RoFA) is made up of a number of separate documents, as set out below:

Document 1 - Framework and Overarching Policy (FOP)

[illegible]

Document 3 – Authorisations table. An authorisations table has been prepared detailing the sub-delegation of authorisations to employees and business partners.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Document 1 – Framework and Overarching Policy (FOP) in relation to the Register of Financial Authorisations. Its purpose is to provide a framework for financial authorisations relating to different areas of HomeStart's business. Although different types of financial authorisations may be documented and maintained by different business areas, it is important that they are consistent with this FOP.

Document 2 – Authorisations of the CEO. Its purpose is to document the financial authorisations formally delegated from the Board to the CEO. It is consistent with and must be considered in the context of Document 1 – Framework and Overarching Policy

Document 3 – Authorisations table. Documents the sub delegation of the CEO to employees and business partners.

HomeStart Finance

ister of Financial Authorisations

1 – Framework and Overarching Policy

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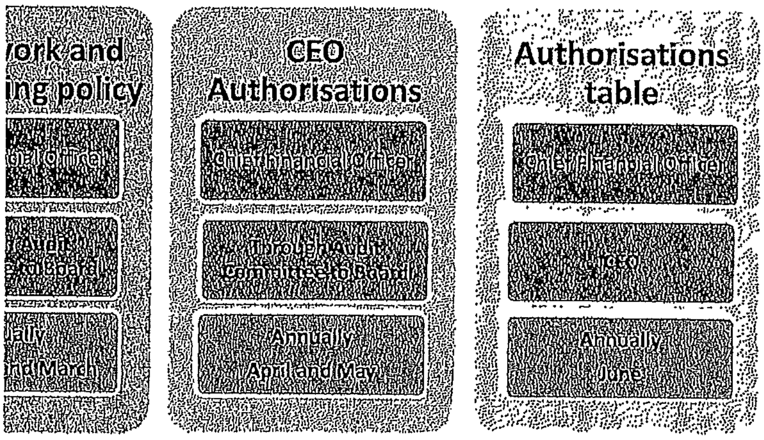

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Overview

Different types of authorisations

There are three different types of financial authorisations:

- Payment Authorisations
- Contract Authorisations
- Other financial delegations.

Financial Authorisation, Payment Authorisation and Contract Authorisation are defined in Treasurer's Instruction 8 "Financial Authorisations" as follows:

> "financial authorisation" means the approval given by Cabinet, a Minister, a governing authority, Chief Executive or nominated employee for a public authority to enter into a contract, including a purchase, subject to the authority's procurement policies, or to make a payment or disbursement, including a payment between public authorities, up to a specified monetary limit.
>
> a "contract authorisation" is a financial authorisation that relates to the approval for a public authority to enter into a contract, including for the purchase of goods and services, subject to the public authority's procurement policies. An instrument empowering an employee or the occupant of a position to grant a contract authorisation may distinguish different types of contracts (and/or purchases) that the employee or the occupant of a position is permitted to approve.
>
> a "payment authorisation" is a financial authorisation that relates to the approval of a public authority making a payment or disbursement, including, through a direct debit arrangement.

Other financial delegations are financial delegations which are not Payment or Contract Authorisations. All types of delegations are collectively referred to in this document as "Delegations" or "Authorisations".

Distinction between Contract Authorisations and Payment Authorisations

Payment Authorisations are different from Contract Authorisations. The distinction between them recognises that appropriate approval must be obtained at the time of requesting the provision of goods or services, or at the time of agreeing to make any other payment or disbursement. Only specified Officers can legally commit HomeStart to doing this.

Once a contract has been approved by a responsible Officer with appropriate Contract Authorisations, the Payment Authorisations recognise that it should be appropriate for another independent Officer to authorise the making of any payments in accordance with those contracts.

For example, once a loan to a customer has been approved in accordance with the Contract Authorisations it may be in the interests of operational efficiency for another person to authorise the settlement for disbursement of funds in accordance with the approved loan documentation.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

General rules

Pursuant to Section 19 of the Urban Renewal Act 1995, HomeStart Finance may delegate any of its functions or powers to a particular person or body or to the person occupying a particular office or position.

Segregation of duties

When exercising their financial authorisations it is the responsibility of the Officer to ensure that adequate segregation of duties is maintained (even if that Officer has been delegated authority to approve potentially conflicting transactions).

In general:

- The employees who approve/write loans should not authorise loans being written off.
- Loans must not be approved by an employeer who has access to the transferring of cash, or the reconciliation of the Loan Management System (LLAS) to the General Ledger (GL).
- The employee who posts journals to LLAS and/or reconciles the LLAS to the GL should not be permitted to authorise (or post) journals to the GL (only journals relating to LLAS transactions)
- To minimise the risk of fraudulent misappropriation of funds two signatories who have banking authorisations are required on all bank accounts.
- To minimise the risk of fraudulent misappropriation of funds any payments (including reimbursements) made to an employee or their family and associates must be authorised by a person senior to the employee (for example, their team leader, Head of Division or the CEO). In the case of the CEO, any payments less than $1,001 should be authorised by the Chief Financial Officer (CFO).
- All loans made to employees or their family and associates must be approved by the CEO. Any loans made to the CEO must be approved by the Chairman of the Board.
- All transactions in relation to loans to employees, their families and associates (except for regular repayments and discharges) must be approved by their Head of Division
- ~~Loan Managers are not permitted to approve loans to their own employees.~~
- ~~The discharge of loans to employees, their families and associates must be approved by the CEO.~~ The discharge of a loan to the CEO must be approved by the Chairman of the Board.

- The employees who authorise new borrowings must not be responsible for authorising journals to the general ledger or reconciling the general ledger to external confirmations of borrowings.
- The employees who approve transactions in relation to FRAs, futures and swaps should not be responsible for reconciling the general ledger to external confirmation.

The above is not an exhaustive list of required segregation of duties or controls. Employees are required to be mindful of proper internal controls when exercising their delegated authority.

Expenditure beneficial to an Officer and reimbursements

- Segregation of duties must be maintained when incurring and authorising expenditure. This typically means that at least two independent Officers are involved in verifying and authorising expenditure.
- There are a number of expenditure items that are justifiably incurred by HomeStart in the normal course of conducting its business, but which may also be perceived as providing some benefits to individuals. To ensure appropriate segregation of duties and transparency of all transactions, no Officer shall approve expenditure that may be perceived as conferring benefits on them. These include (but are not limited to) individual subscriptions (ie in the name of the individual rather than HomeStart), individual memberships of professional bodies, training courses, car parking, meals, travel, transport and accommodation.
- Under no circumstances should an Officer authorise any reimbursement of expenditure to themselves.
- Expenditure beneficial to an Officer and reimbursements of expenses (including GST) must be authorised by an Officer's leader. If the leader was present in incurring the expense, then the leader's Head of Division should authorise the payment. In the case of the CEO, expenditure beneficial to the CEO greater than $1,000 should be authorised by the Chairman of the Board, and expenditure $1,000 or less should be authorised by the Chief Financial Officer.

Sub delegations and subordinates

- The CEO may sub delegate financial authorisations to other Officers of HomeStart.
- Any sub delegations from the CEO to other Officers of HomeStart may not be further delegated.

Document 1 – Framework and Overarching Policy

- Sub delegations of authority from the Chief Executive Officer to Officers may be changed at any time.
- All Officers are authorised to exercise powers granted to Officers directly subordinate to them.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Cessation of employment, changing duties and acting positions

- All authorisations cease upon the Officer ceasing employment.
- All authorisations cease upon the Officer changing duties.
- All authorisations cease upon a material change in the nature of duties assigned to a particular position.
- Authorisations extend to all Officers acting in positions, providing formal sign-off is held from the position's Head of Division or the CEO.
- Any Officer appointed by a Head of Division to act in any position within HomeStart Finance will acquire the authority delegated to that position.

Leave of absence – transfer of delegations

- It is the responsibility of a Team Leader or Head of Division to ensure that when they take leave for any period of time there are adequate number of employees with delegated authority remaining in the office to approve various transactions and allow the operations of HomeStart to continue normally
- When a Team Leader or Head of Division knows in advance they will be absent, they should appoint a person to assume responsibility for delegations and e-mail all of HomeStart to advise that a particular person has authority to exercise delegations relating to the position
- The Finance Support Officer will retain an electronic copy of the email on the network as evidence of the transfer of authority
- The employee who receives the delegations of authority should write "Per Delegation" (e.g. Per Delegation for Chief Financial Officer) when they sign any transaction (e.g. invoice) to indicate they hold the relevant delegated authority required.

Amounts

- The Payment Authorisations and Contract Authorisations specify the dollar value of expenditure or disbursement an Officer can authorise. This dollar value refers to a single product or service that can be purchased individually. In applying this definition, regard should be had to the intended purpose of the expenditure limits.
- Any reference to a sum is inclusive of GST.[1]

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[1] TI 8 – 8.6.7

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Responsibilities of the Chief Executive Officer

- The CEO must:
  - Ensure that no authorisations are exercised unless the CEO has a reasonable expectation that sufficient financial resources will be available to meet commitments as they fall due
  - Ensure that all expenditure is necessary for the conduct of HomeStart Finance, and the requirements of the *Public Finance and Audit Act 1987* and any other relevant Act or Instruction have been observed in all respects
  - Ensure a register of Contract and Payment Authorisations is established and maintained
  - At least annually review all authorisations granted.
- The CEO will remain responsible for all purchases, contracts, payments and disbursements not withstanding that authority has been delegated to an Officer.

Responsibilities of Officers

- Each Officer is responsible for understanding and adhering to his/her own authorisations.
- Employees are required to be mindful of proper internal controls and segregation of duties when exercising their delegated authority.
- All decisions shall be in accordance with:
  - the provisions of the Urban Renewal Act 1995;
  - Ministerial direction and guidance, government policy and appropriate legislation including that relating to the Commonwealth State Housing Agreement, Industrial Relations, Occupational Health and Safety and other relevant legislation;
  - The policy guidelines and within the format set by HomeStart Finance from time to time;
  - Any agreement between HomeStart Finance and the Minister for ~~Housing~~ Transport, Infrastructure and Local Government and Minister for Planning.
- Generally, employees should only approve administration expenditure which directly impacts their own GL cost centre(s). (Although for the sake of operational efficiency, there will be times when it may be expedient for an employee to authorise expenditure for another GL cost centre).

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

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Expenditure outside budget

The Chief Executive Officer may, in the interest of efficient management, authorise expenditure which will result in HomeStart exceeding its annual administration expenditure budget. Such items must be notified to the next meeting of the HomeStart Board for information and ratification when HomeStart exceeds its annual administration budget by more than $100,000.

Disaster Recovery and Business Continuity Plan – Authorisations are revoked

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In a disaster situation all delegated authorities are revoked, with the exception of those summarised at Attachment D to this document.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Authority of the Minister

Extracts from the Urban Renewal Act 1995

PART 2
THE MINISTER

Ministerial powers

(1) The Minister may

(a) sue and be sued;

(b) acquire, hold, deal with and dispose of real and personal property (or an interest in real or personal property), and grant or hold a lease or licence;

(c) acquire, hold, deal with and dispose of shares in, or securities issued by, another body corporate, or participate in the formation of another body;

(d) after consultation with the Treasurer, borrow money and obtain other forms of financial accommodation;

(e) establish and operate ADI accounts and invest money;

(f) enter into any kind of contract or arrangement;

(g) undertake projects and enter into joint ventures;

(h) after consultation with the Treasurer

(i) grant a mortgage or charge over an asset of the Minister;

(ii) enter into a contract of guarantee or indemnity;

(iii) issue debentures or promissory notes that are charged over specified assets of the Minister;

(iv) issue inscribed debenture stock in accordance with a scheme prescribed by the regulations;

(l) exercise other powers that are necessary, expedient or incidental to the functions of the Minister or the Department.

(2) The liabilities of the Minister are guaranteed by the Treasurer.

(3) The Governor may, by proclamation

(a) transfer an asset, right or liability to the Minister;

(b) transfer an asset, right or liability of the Minister

(i) to the Crown; or

(ii) to an agent or instrumentality of the Crown.

(4) A proclamation under subsection (3) providing for the transfer of an asset, right or liability of the Minister may make other provisions that in the opinion of the Governor are necessary or expedient in connection with the transfer.

Delegations

6. (1) The Minister may delegate powers or functions conferred on or vested in the Minister

(a) to a specified person or body; or

(b) to a person occupying a specified office or position.

(2) A delegation

(a) may be made subject to conditions and limitations specified in the instrument of delegation; and

(b) if the instrument of delegation so provides, may be further delegated by the delegate; and

(c) is revocable at will and does not prevent the Minister from acting personally in a matter.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Treasurer's Instruction 8 – Financial Authorisations (TI 8)

Financial delegation to approve contracts including purchases

Unless HomeStart's enabling legislation otherwise provides, a contract, including for the purchase of goods and services can only be executed by the Minister if the consideration is less than $15,000,000.

Any contracts with consideration greater than $15,000,000 must be approved by Cabinet.

In addition:

(a) Cabinet approval must be obtained for a contract for the purchase of land where the expenditure involved exceeds $6,000,000; and

(b) The following approvals must be obtained for an office accommodation project where the cost of the project is:
  a. Less than $1.5 million: the contract is to be approved by the Chief Executive of the Department of Planning, Transport and Infrastructure or an employee nominated by the Chief Executive of the Department of Planning, Transport and Infrastructure.
  b. $1.5 million to less than $15 million: the contract is to be approved by the Minister for Transport and Infrastructure.
  c. $15 million and over: the contract is to be approved by Cabinet.

Items requiring specific approval of the Minister

Unless HomeStart's enabling legislation otherwise provides the Minister must approve, or make specific Ministerial delegation for the Board to approve, all purchases or contracts where the consideration exceeds $1,500,000.

Variation from TI 8 – Financial Authorisations

On 12 October 2008, the Treasurer approved a variation from the requirements in TI 8 *Financial Authorisations* clause 8.11.1 such that:

- A contract between HomeStart Finance and SAFA in relation to debt drawdowns, debt repayments, interest payments and derivatives up to the separate limits previously approved by the Treasurer can be executed if approved as follows:

  - Cabinet, or
  - The Minister, or
  - An employee or governing authority nominated by the Minister, or
  - An employee nominated by the Chief Executive or governing authority, where the Minister has authorised the Chief Executive or governing authority to delegate Contract Authorisations.

- A contract by HomeStart Finance to purchase investing products up to $11 million can be executed if approved as follows:
  - Cabinet, or
  - The Minister, or
  - An employee or governing authority nominated by the Minister, or
  - An employee nominated by the Chief Executive or governing authority, where the Minister has authorised the Chief Executive or governing authority to delegate Contract Authorisations.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Authority of the Board of HomeStart Finance

Extracts from the Urban Renewal Act 1995

Delegations

19. (1) A board may delegate a function or power conferred on or vested in the board (or its statutory corporation) under this Act

(*a*) to a specified person or body; or

(*b*) to a person occupying a specified office or position.

(2) A delegation

(*a*) may be made subject to conditions and limitations specified in the instrument of delegation; and

(*b*) if the instrument of delegation so provides, may be further delegated by the delegate; and

(*c*) is revocable at will and does not prevent the board from acting itself in a matter.

Specific powers

21. (1) Without limiting another provision of this Act, but subject to a limitation or condition imposed by the Minister in relation to the statutory corporation, a statutory corporation may

(*a*) sue and be sued;

(*b*) acquire, hold, deal with and dispose of real and personal property (or an interest in real or personal property), and grant or hold a lease or licence;

(*c*) with the approval of the Minister or as authorised by regulation acquire, hold, deal with and dispose of shares in, or securities issued by, another body corporate, or participate in the formation of another body;

(d) with the approval of the Minister or as authorised by regulation borrow money and obtain other forms of financial accommodation;

(e) establish and operate ADI accounts and invest money;

(f) enter into any kind of contract or arrangement;

(g) exercise other powers conferred by regulation;

(h) exercise other powers that are necessary, expedient or incidental to the functions of the statutory corporation.

(2) A statutory corporation must not establish a trust scheme or a partnership or other scheme or arrangement for sharing of profits or joint venture with another person or undertake an operation or transaction pursuant to such a scheme or arrangement.

(3) However, subsection (2) does not apply if

(a) the statutory corporation is acting with the approval of the Minister; or

(b) the other party to the scheme or arrangement is another statutory corporation or Housing SA~~SAHT~~; or

(c) a regulation provides that subsection (2) does not apply to the statutory corporation.

(4) The Minister must obtain the concurrence of the Treasurer before giving an approval under subsection (1)*(d)*.

HomeStart Finance

Register of Financial Authorisations

Document 1 – Framework and Overarching Policy

Extracts from the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007

Specific powers of HomeStart

In addition to the powers conferred on a statutory corporation by or under the Act, HomeStart may—

(a) enter into contracts of finance relating to the purchase of land, or the construction of premises, for residential purposes;

(b) acquire, hold, deal with and dispose of mortgages or other instruments or agreements;

(c) exercise the powers of a mortgagee in possession under the provisions of any mortgage or law;

(d) take proper and adequate means to secure the payment of any principal or interest payable to HomeStart under any finance contract or other instrument or agreement;

(e) engage persons as agents or consultants, and enter into other forms of contract for the provision of services;

(f) make use of the services, facilities or staff of a private sector body;

(g) provide advisory, consultative, managerial, support or other forms of service, within the areas of HomeStart's expertise, to other persons or bodies involved in the finance sector.

Treasurer's Instruction 8 – Financial Delegations

Financial delegation to approve contracts including purchases

Unless HomeStart's enabling legislation otherwise provides, a contract, including for the purchase of goods and services can only be executed by the Board if the consideration is less than $1,500,000.

Any purchases or contracts with consideration between $1,500,000 and $15,000,000 must be approved by the Minister.

Attachment A – Definitions and abbreviations

Administration expenditure within approved budget – administration expenditure will be considered to be within budget if, at the time of spending the money, the total amount spent for the year is less than the total administration budget for the year AND it is reasonable to expect that for the full year total actual expenditure will not exceed total budgeted expenditure.

This allows the budget to be managed on a "totals" rather than on a line by line basis – and eliminates the need to make small alterations to the budget throughout the year in order to accommodate expenditure.

Approved administration budget – this is the most recent administration budget approved by Board.

Capital budget – this is the most recent capital budget approved by Board.

Capital expenditure – this is any expenditure for items (excluding land) which will be included in HomeStart's fixed asset register in accordance with the Fixed Asset Policy and will be expensed via depreciation or amortisation over more than one year.

Contract – as per the definition contained in TI 8. For HomeStart's purposes it includes purchase orders, verbal contracts, requests for goods and services via fax and/or e-mail, and the approval of loans. It is any communication with an external party (including customers) which results in HomeStart becoming committed to making any type of payment or disbursement.

DLA – Delegated Lending Authority

~~**Loan Managers** – these are external parties who are paid by HomeStart to manage a portfolio of customer loans. At present, this includes only BankSA.~~

LVR – Loan to valuation ratio

Normal payroll expenditure – this is payroll expenditure made by the Payroll officer via HomeStart's formal payroll system (CHRIS).

OFFICER – Is a person in a position defined in Document 2 as having authority to perform delegated actions.

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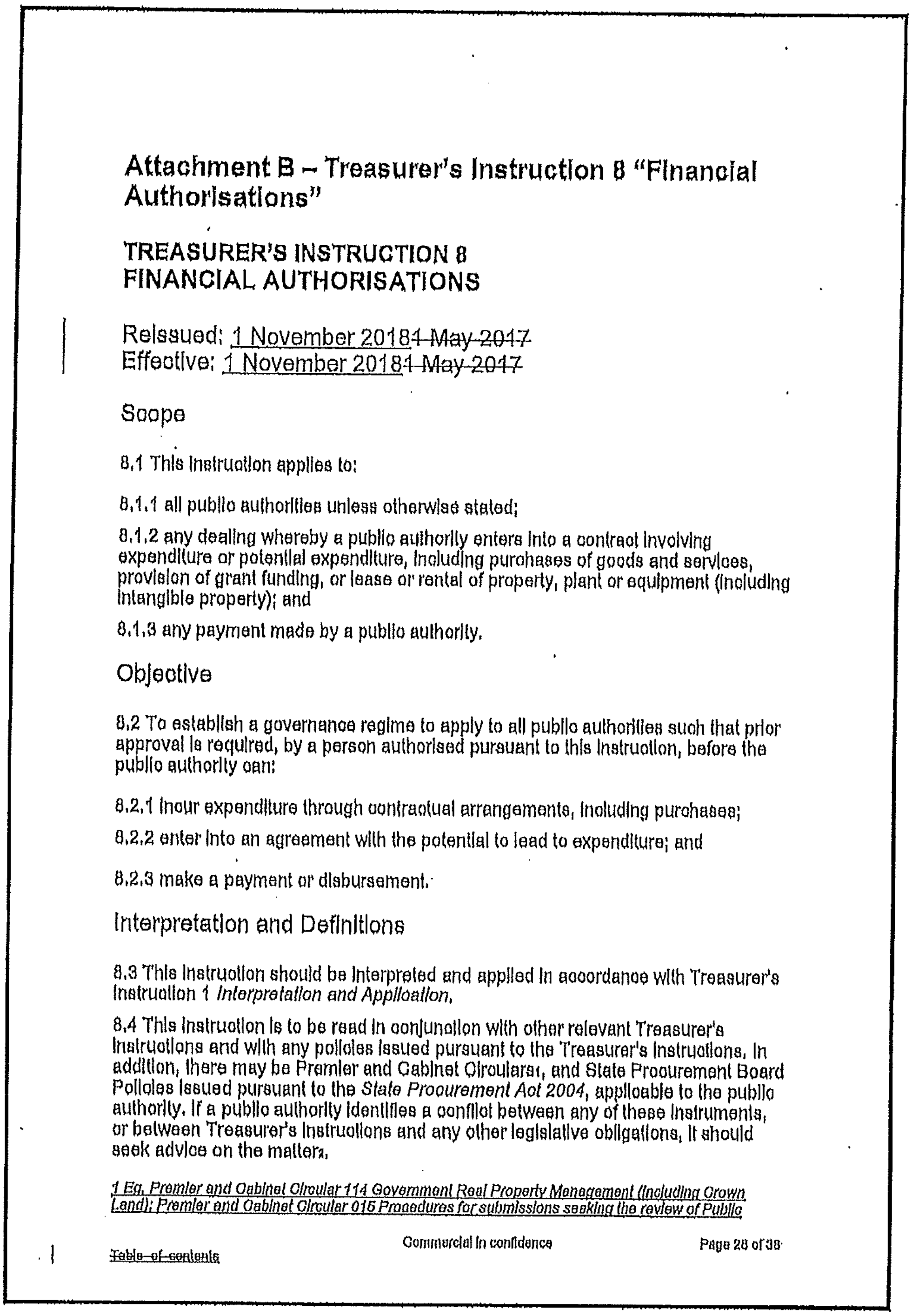
Waiver of debt – as defined by Treasurer's Instruction 5 – Recovery and Writing off of Debts. "Waiver" refers to a special concession granted to a person or entity that 'expunges' the debt owed to the State. That is, the debt is permanently set aside so that the State cannot pursue the debt at a later date.

Writing off of debts – as defined by Treasurer's Instruction 5 – Recovery and Writing off of Debts, "Writing off of debts" refers to a debt that remains enforceable but a management decision has been made not to pursue the debt either indefinitely or for a set period of time. The decision may be reversed and enforcement proceedings recommended at any time in response to changes in the debtor's circumstances, subject to the statutory limitation period for commencement of legal action. By way of examples, debts are often written off, without necessarily being waived, where the debts are considered to be uncollectible, the debtor's whereabouts are unknown, the debtor does not have the capacity to pay or it is not cost effective to pursue recovery.



Attachment B – Treasurer's Instruction 8 "Financial Authorisations"

TREASURER'S INSTRUCTION 8
FINANCIAL AUTHORISATIONS

Reissued: 1 November 2018~~1 May 2017~~
Effective: 1 November 2018~~1 May 2017~~

Scope

8.1 This Instruction applies to:

8.1.1 all public authorities unless otherwise stated;

8.1.2 any dealing whereby a public authority enters into a contract involving expenditure or potential expenditure, including purchases of goods and services, provision of grant funding, or lease or rental of property, plant or equipment (including intangible property); and

8.1.3 any payment made by a public authority.

Objective

8.2 To establish a governance regime to apply to all public authorities such that prior approval is required, by a person authorised pursuant to this Instruction, before the public authority can:

8.2.1 incur expenditure through contractual arrangements, including purchases;

8.2.2 enter into an agreement with the potential to lead to expenditure; and

8.2.3 make a payment or disbursement.

Interpretation and Definitions

8.3 This Instruction should be interpreted and applied in accordance with Treasurer's Instruction 1 *Interpretation and Application*.

8.4 This Instruction is to be read in conjunction with other relevant Treasurer's Instructions and with any policies issued pursuant to the Treasurer's Instructions. In addition, there may be Premier and Cabinet Circulars[1], and State Procurement Board Policies issued pursuant to the *State Procurement Act 2004*, applicable to the public authority. If a public authority identifies a conflict between any of these instruments, or between Treasurer's Instructions and any other legislative obligations, it should seek advice on the matter.

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[1] Eg. Premier and Cabinet Circular 114 Government Real Property Management (including Crown Land); Premier and Cabinet Circular 015 Procedures for submissions seeking the review of Public

Works by the Public Works Committee; and Premier and Cabinet Circular 018 Government Office Accommodation Framework.

2 See the contact details for queries in the box at the end of this Instruction.

8.5 For the purposes of this Instruction:

8.5.1 "financial authorisation" means the approval given by Cabinet, a Minister, a governing authority, Chief Executive or nominated employee for a public authority to enter into a contract, including a purchase, subject to the authority's procurement policies, or to make a payment or disbursement, including a payment between public authorities, up to a specified monetary limit.

8.5.2 "employee" has the same meaning as defined in Treasurer's Instruction 1 *Interpretation and Application.*

8.5.3 a "contract authorisation" is a financial authorisation that relates to the approval for a public authority to enter into a contract, including for the purchase of goods and services, subject to the public authority's procurement policies. An instrument empowering an employee or the occupant of a position to grant a contract authorisation may distinguish different types of contracts (and/or purchases) that the employee or the occupant of a position is permitted to approve.

8.5.4 a "payment authorisation" is a financial authorisation that relates to the approval of a public authority making a payment or disbursement, including, through a direct debit arrangement.

8.5.5 a "contract" refers to an arrangement[1], including for the purchase of goods and services, whereby a public authority commits to or incurs expenditure, or where there is the potential for expenditure to be incurred, where the terms and conditions are contained in a document signed by the parties, or where the terms and conditions are recorded in some other document or documents such as a purchase order or an exchange of letters, or terms and conditions are agreed in an oral exchange, but does not include an employment contract pursuant to the *Public Sector Act 2009* or the authority's enabling legislation.

8.5.5.1 Where it is intended to contract for goods or services to be supplied by a panel of providers, for the purposes of this Instruction in determining the approvals required, the potential total value of services that may be acquired is the contract consideration.

8.5.5.2 Where it is intended to enter into a "head agreement" or similar, with specific agreements to be entered into by individual public authorities under the head agreement, for the purpose of this Instruction, the potential total value of goods or services that may be acquired by public authorities under the head agreement is the contract consideration for that contract.

8.5.6 "incurs expenditure" refers to a dealing which results, or will result, in an obligation on the public authority, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Economic benefits can take various forms such as the payment of cash, transfer of assets, provision of services, replacement of an obligation with another obligation or the conversion of the obligation to equity.

8.5.7 any reference to a monetary sum is inclusive of GST.

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1 Including a memorandum of understanding/memorandum of administrative arrangement or similar;

~~Table of contents~~

Instruction

General

8.6 In any dealing to which this Instruction applies a Chief Executive must ensure compliance with the public authority's enabling legislation.

8.7 No dealing to which this Instruction applies must be approved unless:

8.7.1 the expenditure is necessary for the conduct of the public authority, and the requirements of the *Public Finance and Audit Act 1987* and any other relevant Act or Instruction have been observed in all respects, and

8.7.2 the Chief Executive has a reasonable expectation that sufficient financial resources will be available to meet commitments as they fall due.

8.8 The Chief Executive must:

8.8.1 ensure a register is established and maintained of specified persons and the holders of positions authorised or nominated under clause 8.11.1 and clause 8.16 to give particular financial authorisations, and any conditions applying to the giving of a financial authorisation by the specified person or holder of a position;

8.8.2 review the register at least annually; and

8.8.3 If the holder of a position within the public authority, rather than a specific employee, is empowered to give the financial authorisation, ensure that only a South Australian government employee occupies that position.[1]

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~~1 1 A Chief Executive can only provide financial authorisations to the employees of the Chief Executives' own administrative unit or statutory authority.~~

8.9 A Chief Executive will remain responsible for all purchases, contracts, payments and disbursements notwithstanding that an employee or the holder of a position within the public authority has been empowered to give a financial authorisation pursuant to this Instruction.

8.10 Instances may arise where a contract and payment authorisation may be provided by the same employee, possibly at the same time. In these instances it is necessary for the employee to be empowered to provide both types of authorisations. ~~Department of Treasury and Finance~~

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[1] ~~1~~ *A Chief Executive can only provide financial authorisations to the employees of the Chief Executives' own administrative unit or statutory authority.*

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Contracts (including purchases)

8.11.1 Unless the public authority's enabling legislation has alternative specific arrangements that are inconsistent with this clause, a contract, including for the purchase of goods and services, can only be executed if approved as follows:

Purchase or Contract consideration	*To be approved by*
< $1,500,000	☐ Cabinet, or ☐ the Minister; or ☐ the Chief Executive or governing authority; or ☐ an employee nominated by a Chief Executive or governing authority; or ☐ an employee nominated by an authorised employee pursuant to clause 8.11.2.
$1,500,000 to < $15,000,000	☐ Cabinet, or ☐ the Minister; or ☐ an employee nominated by the Minister in writing by specific Ministerial delegation that specifies the employee, the amount and the nature of the contract including the parties.
$15,000,000 and over	☐ Cabinet, or ☐ the Minister acting under clause 8.11AA

8.11AA The Minister may act under this clause to approve a contract if –
(a) the contract forms part of a public sector initiative that has been approved by Cabinet; and
(b) the scope of the contract is consistent with the Cabinet approval; and
(c) the consideration for the contract, when aggregated with any other money to be applied for the purposes of the public sector initiative, does not exceed any estimated cost provided to Cabinet in connection with obtaining the Cabinet approval.

8.11ABFor the purposes of clauses 8.11.1 and 8.11AA, a reference to Cabinet will be taken to include a reference to a Cabinet Committee.

8.11A Where an amendment would increase the total value of a contract, a contract that has been approved under clause 8.11.1 may only be amended as follows –

> 8.11A.1 for an amendment which, when aggregated with any previous amendments, does *not* increase the total value of the contract by more than 5% of the total value originally approved under clause 8.11.1 – the amendment must first be approved by the relevant person or body as if the value of the amendment, taken by itself, was a contract of that value required to be approved under clause 8.11.1; or
>
> 8.11A.2 for an amendment which, when aggregated with any previous amendments, increases the total value of the contract by more than 5% of the

total value originally approved under clause 8.11.1 – the amendment must first be approved by the relevant person or body as if the total value of the amendment *and* the original contract was a new contract requiring approval under clause 8.11.1

8.11.2 Contract authorisations in respect of the use of government purchase cards (pursuant to Treasurer's Instruction 12 *Government Purchase Cards and Stored Value Cards*) may be provided by an employee who has been authorised in writing by the Chief Executive or governing authority to provide these authorisations.

8.12 An instrument empowering an employee or the occupant of a position to provide a contract authorisation pursuant to clauses 8.11.1 and 8.11.2 must:

8.12.1 be in writing;

8.12.2 specify the employee, or the position (subject to clause 8.8.3);

8.12.3 specify the monetary limit (to be less than $1,500,000) and any other relevant terms and conditions (such as the type of contract or purchase for which the contract authorisation may be provided); and

8.12.4 specify that it immediately ceases upon the employee ceasing employment or materially changing duties, or in relation to a position, a material change in the nature of the duties assigned to that particular position.

8.13 In addition to any other requirement:

8.13.1 Cabinet approval must be obtained for a contract for the purchase of land where the expenditure involved exceeds $6,000,000[1]; and

8.13.2 The following approvals must be obtained for an office accommodation project where the cost of the project is:

8.13.2.1 Less than $1.5 million: the contract is to be approved by the Chief Executive of the Department of Planning, Transport and Infrastructure or an employee nominated by the Chief Executive of the Department of Planning, Transport and Infrastructure.

8.13.2.2 $1.5 million to less than $15 million: the contract is to be approved by the Minister for Transport and Infrastructure.

8.13.2.3 $15 million and over: the contract is to be approved by Cabinet.

8.14 A purchase of goods or services through a purchase card may only be made by an employee with the authority, pursuant to Treasurer's Instruction 12 *Government Purchase Cards and Stored Value Cards*, to use the purchase card.

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[1] *This value refers to the amount to be included in the contract to purchase the land. It does not include on-costs such as stamp duty.*

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Payments and disbursements

8.15 Unless the public authority's enabling legislation has alternative specific arrangements that are inconsistent with this clause, a payment or disbursement can only be made with the prior approval of an employee where the employee is empowered as follows:

8.15.1 by an instrument in writing;

8.15.2 specifying the employee, or the position (subject to clause 8.8.3), monetary limits (consistent with clauses 8.16 and 8.17) and other conditions, determined as follows:

public authority	*to be determined by*
administrative unit	☐ the Minister, or ☐ any employee nominated by the Minister, or ☐ any employee nominated by a Chief Executive, where the Minister has authorised the Chief Executive to grant payment authorisations
public authority that is not an administrative unit	☐ the Minister, or ☐ any employee or governing authority nominated by the Minister, or ☐ any employee nominated by a Chief Executive or governing authority, where the Minister has authorised the Chief Executive or governing authority to grant payment authorisations

8.15.3 specifying that it immediately ceases upon the employee ceasing employment or materially changing duties.

Administrative units

8.16 A Minister may:

8.16.1 nominate the Chief Executive, or an employee of an administrative unit (including an employee for the time being holding a specified position) to give a payment authorisation subject to any conditions and for a monetary sum that does not exceed the greater of:

8.16.1.1 the annual appropriation from Consolidated Account to the administrative unit, or
8.16.1.2 the amount held in a Special Deposit Account, Deposit Account or any other relevant accounts administered by the administrative unit; and

8.16.2 authorise the Chief Executive to nominate an employee (including an employee for the time being holding a specified position) to give payment authorisations subject to conditions and not exceeding the monetary limits contained in clause 8.16.1.

Public authorities that are not administrative units

8.17 Where, pursuant to clause 8.16.2, the Minister has determined that a Chief Executive or a governing authority of a public authority that is not an administrative unit may grant payment authorisations, and the Chief Executive or governing authority has nominated an employee to grant the payment authorisations, the employee's monetary limit must not exceed the monetary limit determined, respectively, for the Chief Executive or the governing authority.

Financial Arrangements

8.18 An administrative unit must not lend monies to (or borrow monies from) any other administrative unit without the approval of the Treasurer or the Treasurer's delegate.

Special provision relating to interest payments

8.19 The approval of the payment of interest by a public authority in accordance with the *Late Payment of Government Debts (Interest) Act 2013* or a relevant policy of the State Government may be given by an authorised employee of another public authority providing accounts payable services (the service provider public authority) to the public authority.

8.20 The Chief Executive of the service provider public authority must:

- 8.20.1 ensure a register is established and maintained of specified persons and the holders of positions authorised or nominated under clause 8.19 to give particular financial authorisations, and any conditions applying to the giving of a financial authorisation by the specified person or holder of a position;
- 8.20.2 review the register at least annually; and
- 8.20.3 if the holder of a position within the public authority, rather than a specific employee, is empowered to give the financial authorisation, ensure that only a South Australian government employee occupies that position.

Attachment C – Other TI Approval Requirements

Reference	Details	Approval Required
TI 5, ~~5.13.1~~5.14.3	Debt write-off < $500,000 [2]	Board
TI 5, ~~5.13.1~~5.14.3	Debt write-off > $500,000	Treasurer
TI 5, ~~5.13.2, 5.13.3,~~ 5.14.1, 5.14.2	Debt write-off < $150,000 [3]	CEO/ Delegate of CEO
TI 5.24	Debt waiver ~~of any amount~~ < $500,000 [2]	Board
TI 5.24	Debt waiver > $500,000	Treasurer
TI 6, 6.5	Deposit accounts and banking	The Under Treasurer must approve opening of a special deposit account or a deposit account
TI 10, 10.4 & TI 10, 10.5	Legal practitioner costs/expenses	Crown Solicitor must certify engagement is necessary or that the agency's procedures and conditions for engagement of legal procedures are appropriate. Advice was received in 2006 that HomeStart is exempt from this policy.
TI 11, 11.13	Payment for goods not received and services not yet rendered of any amount unless in the ordinary course of business or a deposit of 10% or lessor does not exceed $25,000 and is in the best interests of SA Government.	Treasurer

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[2] On 9 January 2006, the Treasurer wrote to Ministers requesting they direct agencies within their portfolio that are not departments to seek Treasurer's approval for debt write offs and/or waivers greater than $500,000. This was confirmed in a letter from the Treasurer dated 21 August 2014.

[3] In the letter dated 21 August 2014 the Treasurer approved a variation to TI5, authorising the Chief Executive to approve write-off's where the debt owed is less than $150,000, including GST.

Reference	Details	Approval Required
TI 12, 12.7	Government purchase cards and stored value cards	CEO
TI 17.11.1	Public Sector Initiatives (Concept evaluation phase) lesser of standing authority or $1,500,000	CEO Officer or authorised officer.
TI 17.11.2	Public Sector Initiatives (Concept evaluation phase), > $1,500,000 but < $15,000,000	Minister
TI 17.11.3	Public Sector Initiatives (concept evaluation phase) > $15,000,000	Cabinet
TI 17.12.1	Public Sector Initiatives (not previously included in a budget approved by Cabinet), lesser of standing authority or $1,500,000, and is < 1% of total recurrent and capital expenditure.	CEO or authorised officer.
TI 17.12.2	Public Sector Initiatives (not previously included in a budget approved by Cabinet), > than $1,500,000 but < $6,000,000 and is < 1% of total recurrent and capital expenditure.	Minister
TI 17.12.3	Public Sector Initiatives = or > than $6,000,000 or is = > 1% of total recurrent and capital expenditure.	Cabinet
Leasing guidelines	Leasing arrangements > $100,000 (except accommodation and fit out costs)	SAFA[4]

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[4] On 11 October 2004, Cabinet mandated SAFA's services including the requirement that SAFA be consulted for all leasing transactions with a present value of lease payments exceeding $100,000.

Attachment D – Business Continuity and Disaster Recovery Plan

Delegated Authorities Revoked

Once the Disaster Recovery Plan is invoked, all existing financial authorisations are revoked, with the exceptions detailed below. This is to ensure that all needs and requirements are fully taken into consideration prior to incurring expenditure, and that there is no duplication. These employees will also be aware of HomeStart's current cash flow position, and will need to be aware of any upcoming cash flow requirements.

The CEO retains the authority to sub delegate any of his delegated authorities to any officer of HomeStart during the disaster period. Should the CEO not be available, the Board Chair will be the CEO's alternate or the Board may appoint an Acting CEO (who will have the the CEO's financial authorisations) or make financial authorisations as considered necessary to any other employee.

~~It should be noted that only the CEO/Acting CEO, Head of Strategy, Chief Financial Officer, Chief Risk Officer and Head of Retail may authorise the purchase of IT hardware and software (unless the CEO approves otherwise).~~

Exceptions

The following employees retain most of their financial authorisations, as outlined below.

- CEO
- Heads of Divisions
- Chief Risk Officer
- Chief Financial Officer

The following employees retain their banking authorities as outlined below (this is because these authorities attach to the individual rather than a particular position):

- John Oliver
- David Hughes
- Claude Taeger
- Mark Fitzgerald
- ~~Joshua Pang~~
- Vanessa Charlesworth (Payroll only)
- Ewa Tomczak
- Lisa Richards
- Lisa Hrovatin
- Alicia Case
- Leon Watkins
- Lyn Foster
- Alyce Jones

Board paper

Government of South Australia HomeStart FINANCE

Agenda Item: 1903.5

Topic:	Core Logic Industry Data
From:	Deborah Dickson
Date:	19/03/2019
Status:	Noting

1. Background

The following slide pack was provided at a recent Mortgage and Finance Association of Australia (MFAA) event to which HomeStart sent a number of employees. Information provided covers housing and real estate market activity in South Australia.

2. Discussion

Of particular note is the general downturn of activity experienced in SA within which first home buyer activity has increased. Given the importance of this group to HomeStart's activities, Board are requested to note these developments.

3. Recommendation

That the Board notes the Core Logic material provided.

Deborah Dickson
Head of Retail

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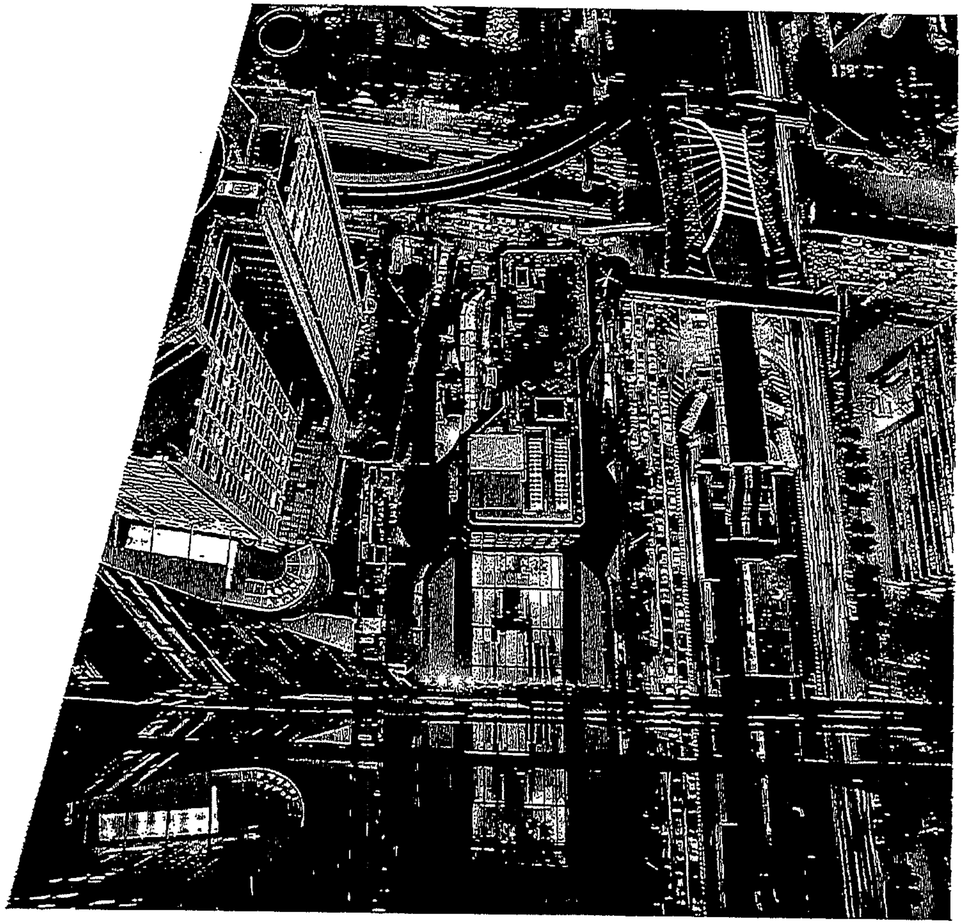
MFAA SA – February 2019



MFAA Industry Intelligence Service

- Reliable, accurate and timely market intelligence for mortgage broking sector
- Designed and produced by CoreLogic Comparator
- Quantitative variables profiled in the IIS Report include:
  - broker resourcing,
  - deployment,
  - recruitment and retention,
  - new business acquisition, and
  - loan portfolios.

MFAA
MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

AFG
Aussie

choice AGGREGATION
connective
eChoice

FAST Stay Ahead
FINSURE FINANCE AND INSURANCE

LoanKit
Loan Market

Mortgage Choice
nMB National Mortgage Brokers
PLAN AUSTRALIA

smartline personal mortgage advisers
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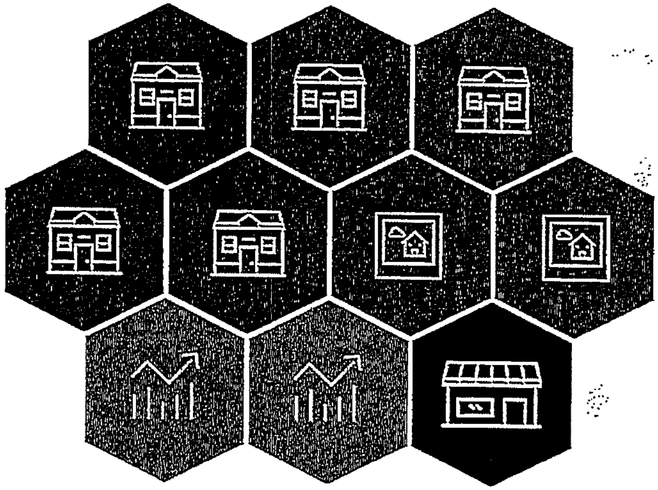
Residential Real Estate Underpins Australia's Wealth

- ● Residential Real Estate
  $7.5 Trillion
- ● Australian Superannuation
  $2.7 Trillion
- ▨ Australian Listed Stocks
  $1.8 Trillion
- ● Commercial Real Estate
  $964 Billion

As at the end of December 2018



10.1 million
Number of dwellings

$1.80 trillion
Outstanding mortgage debt

50.7%
Household wealth held in housing

438,138
Total sales p.a.

$286.4 billion
Gross value of sales p.a.

Source: CoreLogic, APRA, RBA, ASX

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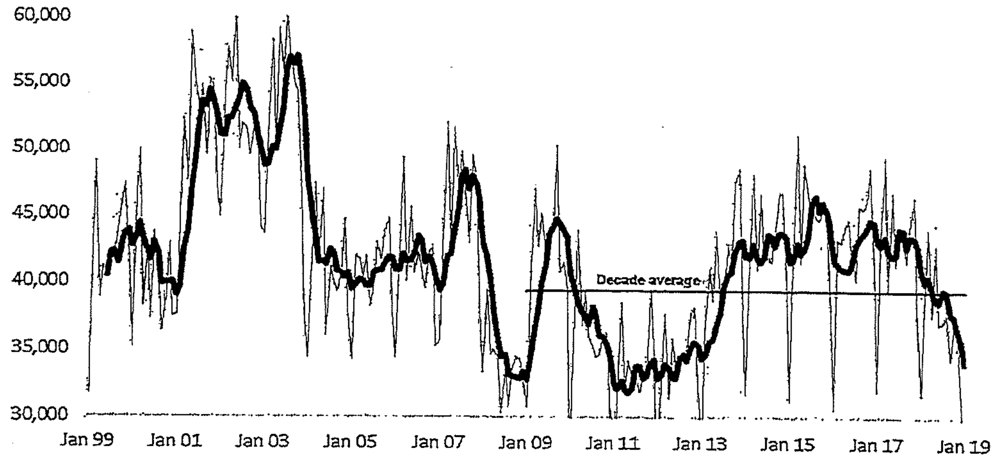
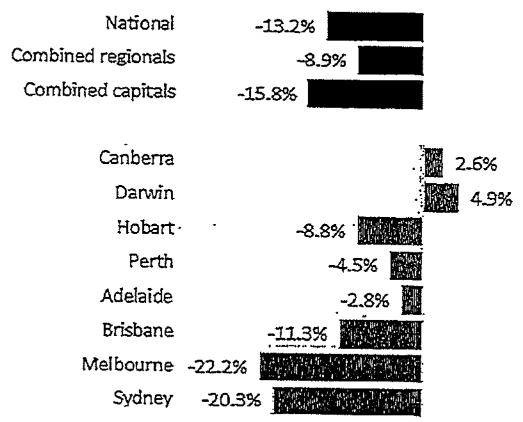
Market trends

Transaction numbers remain lower than a year ago and well below the decade average due to significant falls in settled transactions across Australia's two largest cities

Monthly sales with six month moving average, National



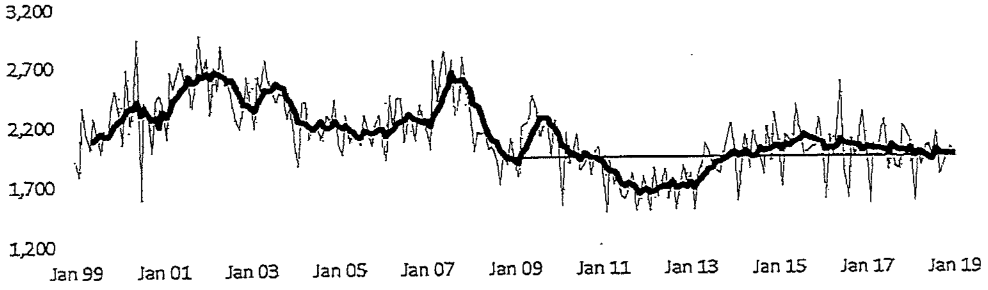
Year on year change in settled sales



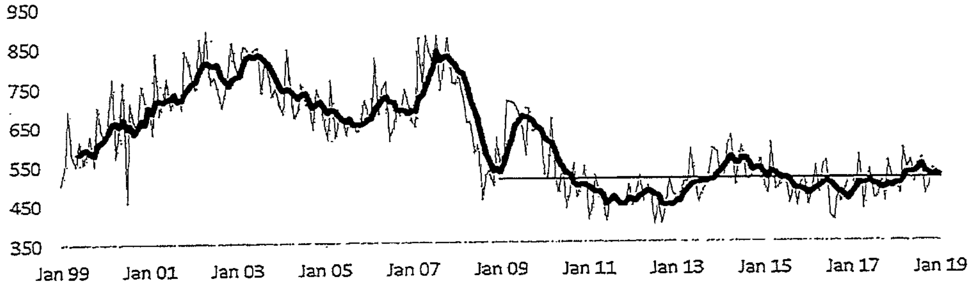
Note the sales volumes are modelled based on historic levels of revision however, they are still subject to revision. Furthermore, sales volumes do not account for off-the-plan purchases which upon completion are counted as sales at their contract date.

Source: CoreLogic

Monthly sales with six month moving average, Adelaide



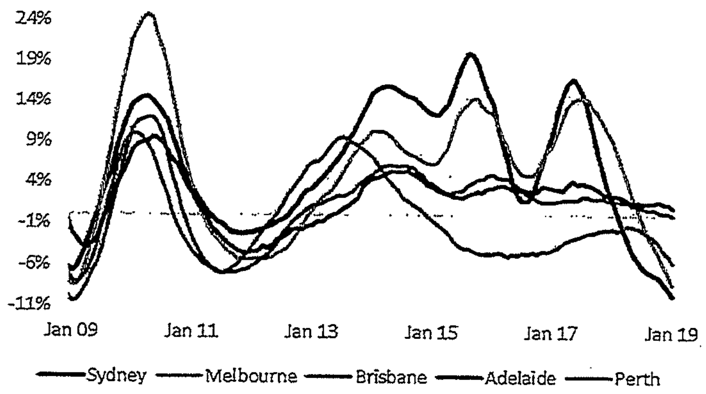
Monthly sales with six month moving average, Regional SA

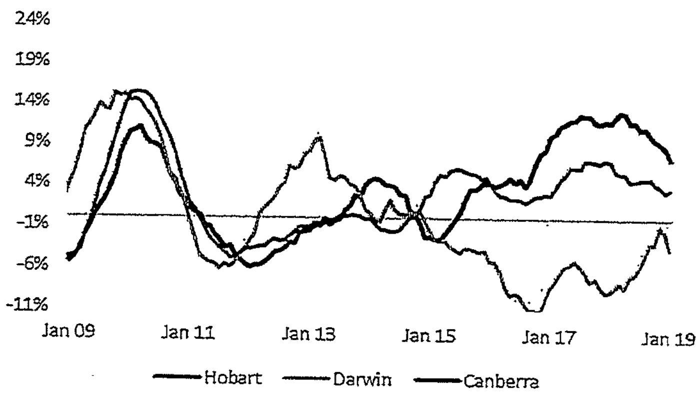


Note the sales volumes are modelled based on historic levels of revision however, they are still subject to revision. Furthermore, sales volumes do not account for off-the-plan purchases which upon completion are counted as sales at their contract date.
Source: CoreLogic

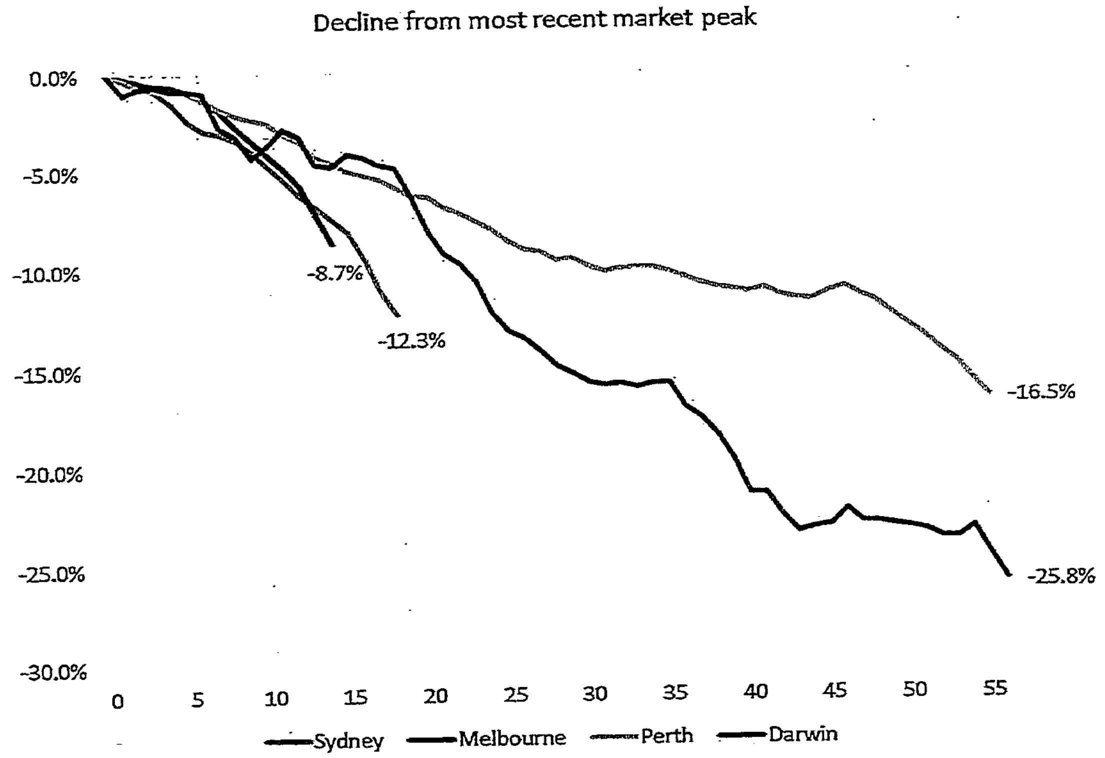
Settled sales are tracking around the decade average across both Adelaide and the regional areas of South Australia

While there has been a lot of focus on Sydney and Melbourne, most of the capitals have seen a slowdown in value growth over the past year


Annual change in dwelling values


Annual change in dwelling values

Source: CoreLogic



The rate of decline in Sydney and Melbourne has been rapid relative to Perth and Darwin, however the factors driving the downturn are very different.

Source: CoreLogic

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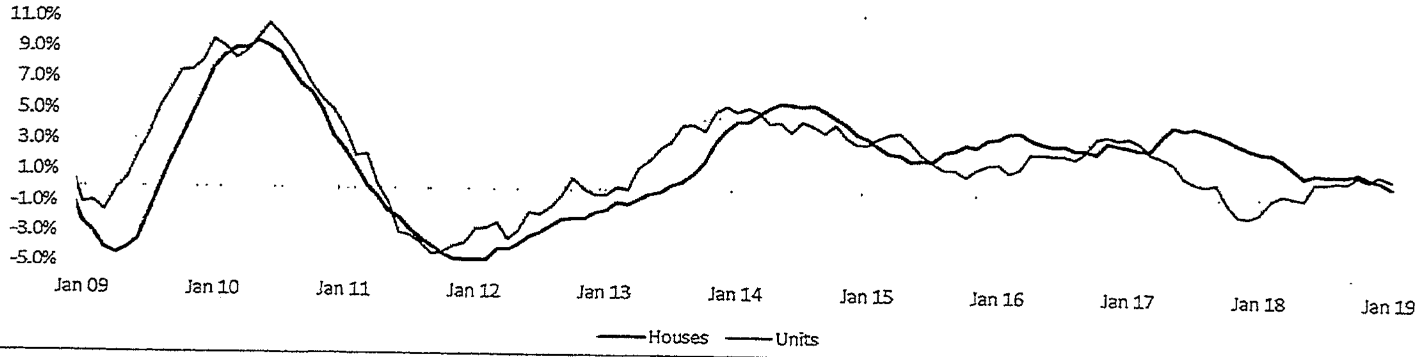
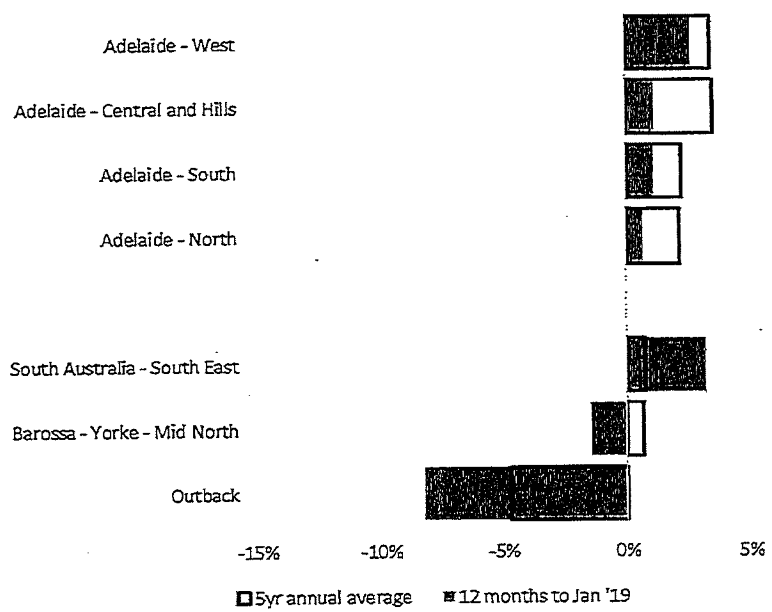
Adelaide's unit sector has generally underperformed relative to the detached housing sector, however the past twelve months has seen some acceleration in the unit sector while growth in detached housing loses steam

Rolling annual change in house and unit values
Adelaide



Source: CoreLogic

SA4 regions of South Australia
12 month and 5yr annual change in dwelling values



Source: CoreLogic

Despite values still rising, Adelaide sub-regions have lost some momentum in capital gains relative to the five year average rate of growth.

Across the regional sub-regions, the South East is the only market where values have trended higher over the past 12 months

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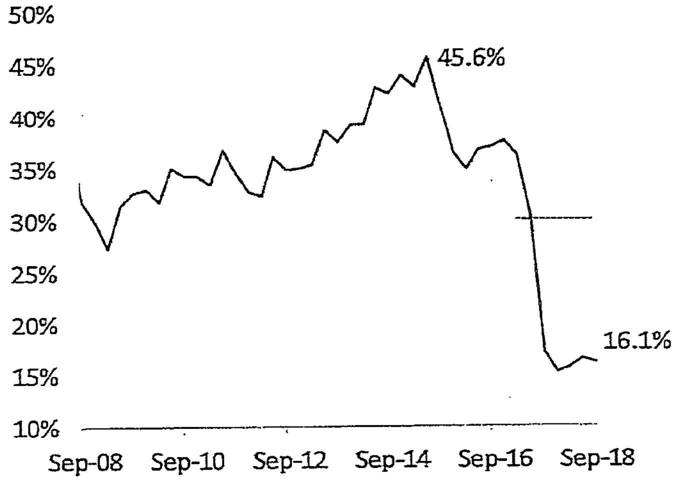
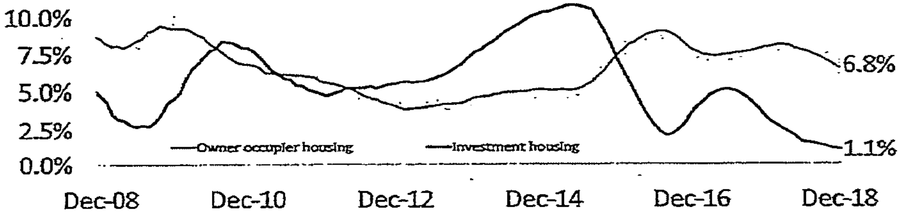
Credit trends

While previous housing cycles have generally been dictated by changes in interest rates, the current slowdown has been heavily influenced by changes in credit availability

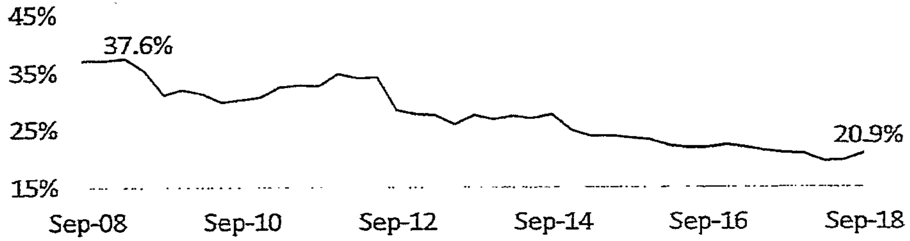
% of mortgages originated on interest-only terms



Annual change in credit, owner occupier v investor



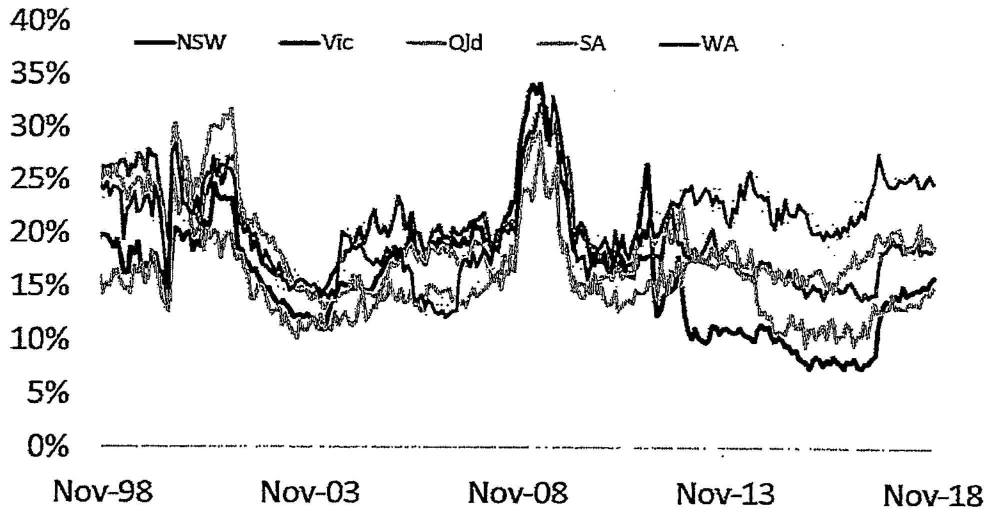
% of mortgages settled with an LVR 80%+



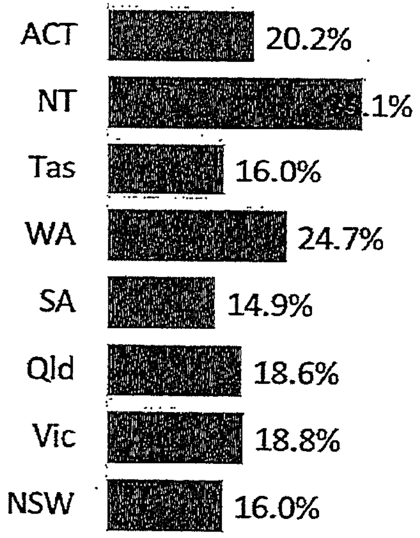
Source: CoreLogic, APRA, RBA

First home buyer demand has increased over the past year as most other segments of demand have slowed

First home buyers as a % of all owner occupier housing finance commitments



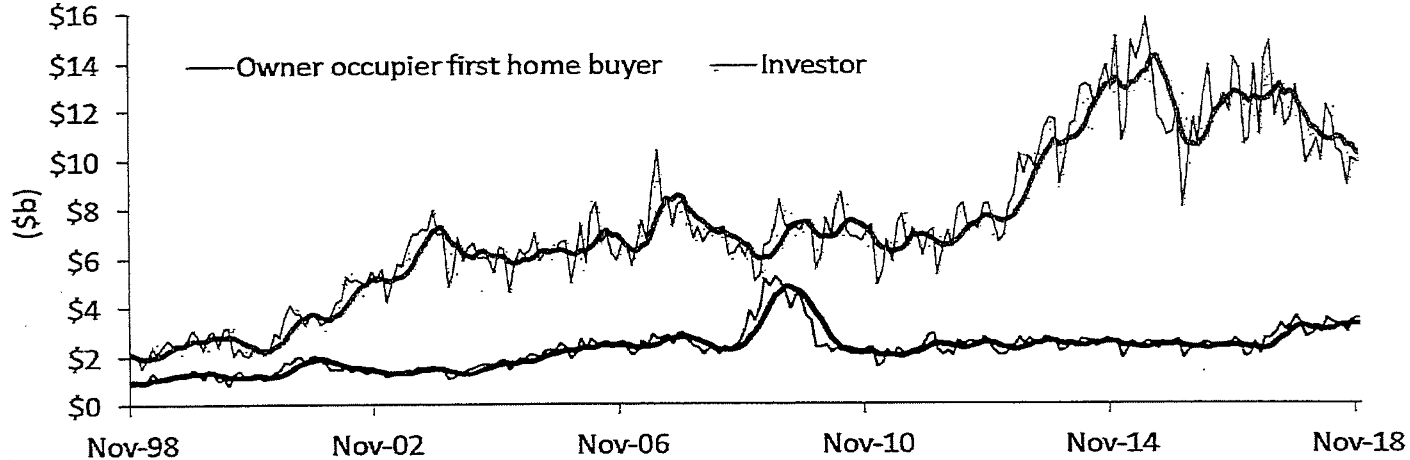
First home buyers as a % of all owner occupier housing finance commitments, Nov 18



Source: CoreLogic, ABS

While first home buyer demand for mortgages is increasing, this trend won't be enough to offset the slowdown in demand from investors

Value of housing finance commitments, first home buyers vs investor



Source: CoreLogic, ABS

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Vendor metrics

Capital city	No of new listings	12 mth change (%)	No of total listings	12 mth change (%)
Sydney	3,541	-20.2%	25,038	23.7%
Melbourne	4,329	-11.5%	31,766	34.1%
Brisbane	2,969	-9.9%	19,691	5.7%
Adelaide	1,489	-6.5%	7,727	0.4%
Perth	2,924	-12.1%	20,427	2.2%
Hobart	314	5.0%	1,172	15.1%
Darwin	115	-0.9%	1,336	-7.1%
Canberra	384	-31.7%	2,061	14.6%
Combined capitals	**16,065**	**-13.2%**	**109,218**	**15.6%**

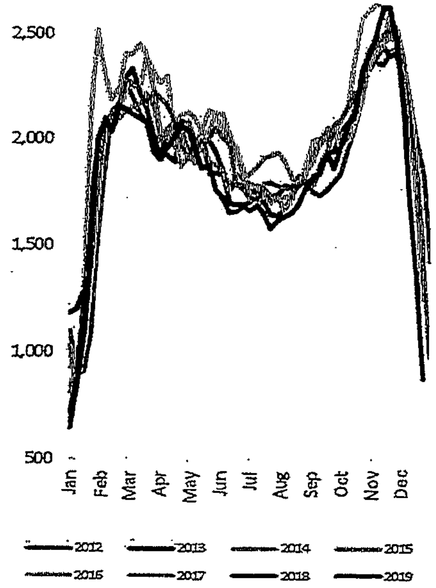
Newly advertised listings are lower relative to a year ago in Adelaide and most other capital cities

Total inventory levels are substantially higher in most areas, but holding firm relative to last year in Adelaide

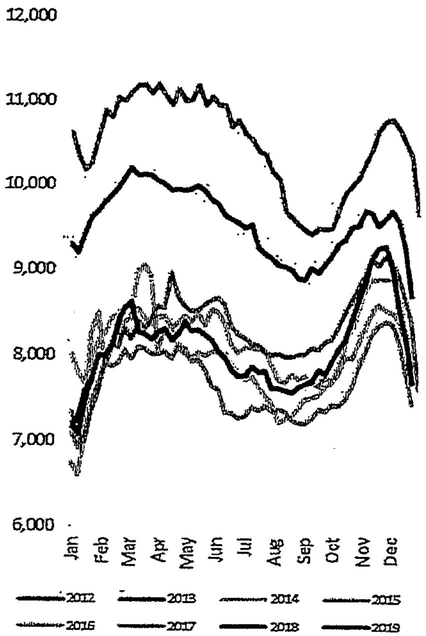
Source: CoreLogic

Adelaide

New listings



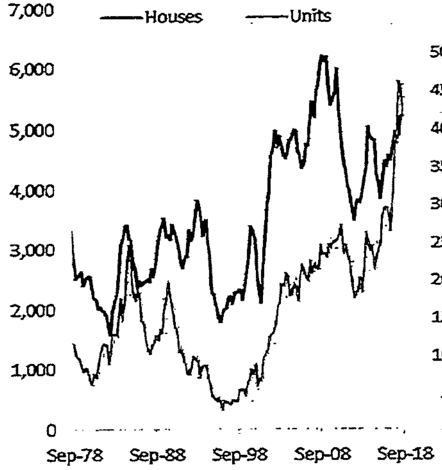
Total listings

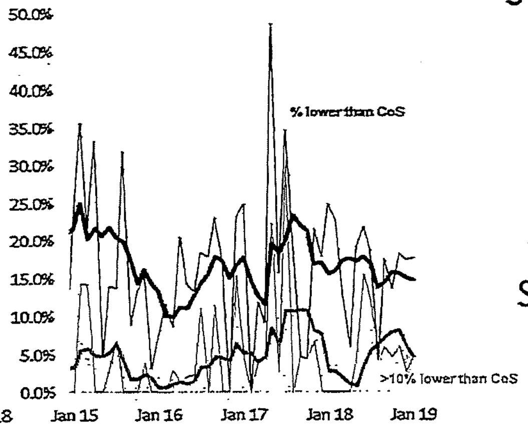


Source: CoreLogic

Fresh stock being added to the market is tracking lower than last year, signaling weaker vendor confidence.

Total stock levels are roughly level with a year ago, implying a reasonably healthy match between advertised stock levels and housing demand.


Number of dwellings under construction, South Australia


Proportion of Off the Plan settlement valuations where the valuation was lower than the contract price

Adelaide metro

The number of dwellings under construction remains well above average which could cause some settlement issues for off-the-plan buyers.

CoreLogic platform data shows 18% of off- the-plan settlement valuations were lower than the contract price at the time of settlement in January.

Source: CoreLogic

Conditions likely to remain weak for some time yet...

- Credit availability will be a key determinant of housing market conditions. Borrowers are likely to face tight lending conditions relative to prior years for some time yet – is this the new normal?
- Low mortgage rates, high population growth and reasonably healthy economic conditions will help to offset the impact on activity from tight credit.
- With mortgage rate premiums, as well as low yields, weak rents and dim prospects for capital gains, we should expect a further reduction in investment activity in 2019.
- Some caution around high rise apartment markets is warranted in light of high supply and less demand from foreign buyers and domestic investors.
- First home buyers have responded to stamp duty concessions and affordability is now improving, however the deposit barrier remains a substantial hurdle for this segment of the market.
- Federal election around the corner... expect renewed debate around negative gearing, capital gains tax concessions and 'Big Australia'.

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Board paper

HomeStart FINANCE

Government of South Australia

Agenda Item: 1903.6

Topic:	Realisations February 2019
From:	Deb Dickson
Date:	19/03/2019
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
Graduate - 4887430 [redacted]	Appendix A	($53,491.53)	($47,479.30)	$56,933.00	$9,453.70
Established - 7028212 [redacted]	Appendix B	($51,371.56)	($40,799.36)	$43,175.00	$2,375.64

Deb Dickson
Head of Retail

John Oliver
CEO

Appendix A

REALISATION LOSS [redacted]

Gross shortfall amount -$53,491.85 Net Loss -$47,479.62

Original loan details	
Primary loan number	[redacted]
Loan start date	[redacted]
Channel	HomeStart
Loan type	Graduate
Original purchase price	$218,763
Loan amount	$211,945
Further advances	$0
Balance at possession	$189,926
Arrears at possession	$3,044
Credit score	3c
Risk score	2c
Valuation	$218,500
Valuer	[redacted]
LVR	97%
VG Valuation	$210,000

Possession details	
Possession date	[redacted]
Valuation date	[redacted]
Valuation - market	$165,000
Valuation - forced	$145,000
Valuer	[redacted]
Property condition	Average
Maintenance spend	$677
Listed date	[redacted]
Real estate agent	[redacted]
Agent appraisal - upper	[redacted]
Agent appraisal - lower	$160,000
Contract price	$170,000
Sold date	[redacted]
Sale price	$155,000
Sale method	Private Treaty

Financial position	Real estate manager recommendation	Actual
Loan balance at Possession	$189,926	$189,926
Plus anticipated		
Repairs & improvements	$1,010	$677
Legal costs	$0	$0
Interest	$0	$5,171
Council Rates	$1,000	$840
Water Rates	$500	$529
HS admin fee	$2,055	$2,028
Other	$1,571	$2,233
Forecast Loan balance	$196,062	$201,404
Anticipated sale price	$170,000	$155,000
Less anticipated costs		
Agents commission + GST	$5,143	$4,689
Agent marketing + GST	$1,925	$1,397
Rates & taxes	$0	$0
Other	$400	$1,002
Net Sales Proceeds	$162,533	$147,912
Actual gross shortfall	-$33,530	-$53,492

Less unearned income from Jul-2018	$841	$6,012
Net loss	-$32,689	-$47,480
Less provision		$56,933
Write back of prov & unearned		$9,453

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

Key reasons for delinquency

[redacted]

Financial difficulty

Key actions

List borrower on Equifax

Borrower voluntarily surrendered property

Key learnings/policy changes

Property in average condition at possession as not well maintained by borrower during their tenure

Property marketed for sale by borrower for approx 200 days before voluntarily surrendering

REALISATION LOSS [redacted]

Gross shortfall amount -$51,371.69 Net Loss -$40,799.49

Original loan details	
Primary loan number	[redacted]
Loan start date	[redacted]
Channel	BankSA
Loan type	Established
Original purchase price	$157,000
Loan amount	$148,287
Further advances	$0
Balance at possession	$149,514
Arrears at possession	$7,992
Credit score	2A
Risk score	5c
Valuation	$157,000
Valuer	[redacted]
LVR	94%
VG Valuation	$155,000

Possession details	
Possession date	[redacted]
Valuation date	[redacted]
Valuation - market	$150,000
Valuation - forced	$120,000
Valuer	[redacted]
Property condition	Average
Maintenance spend	$6,295
Listed date	[redacted]
Real estate agent	[redacted]
Agent appraisal - upper	$165,000
Agent appraisal - lower	$150,000
Contract price	$150,000
Sold date	[redacted]
Sale price	$125,000
Sale method	Private Treaty

Financial position	Real estate manager recommendation	Actual
Loan balance at Possession	$149,514	$149,514
Plus anticipated		
Repairs & improvements	$5,280	$6,295
Legal costs	$0	$916
Interest	$0	$6,748
Council Rates	$3,000	$3,714
Water Rates	$500	$791
HS admin fee	$2,055	$2,028
Other	$330	$3,101
Forecast Loan balance	$160,679	$173,106
Anticipated sale price	$150,000	$125,000
Less anticipated costs		
Agents commission + GST	$4,125	$2,748
Agent marketing + GST	$1,925	$0
Rates & taxes	$696	$0
Other	$400	$518
Net Sales Proceeds	$142,854	$121,734
Actual gross shortfall	-$17,825	-$51,372

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

Borrower avoidance

Key actions

List borrower on Equifax

Less unearned income from Oct-2017	$3,825	$10,572
Net loss	-$14,000	-$40,799
Less provision		$43,175
Write back of prov & unearned		$2,376

Key learnings/policy changes

Property in average condition at possession

Property on market for approx 9 months

Board paper

Agenda item: 1903.7

Topic:	Brand Strategy Review
From:	Andrew Mills
Date:	19/03/2019
Status:	Noting

1. Background

Since 2013 HomeStart has followed a strategic brand development process through which it has focused on developing brand associations along the themes of "Sooner", "Low Deposit" and "First Home Buyers". The process has been run in conjunction with our creative agency, Showpony Advertising.

The first creative execution developed using this process was known as "Jason" and ran from 2013 to June 2016. The "Jason" creative was designed to illustrate the idea of "Sooner" and portrayed two young men near a fridge at a party, rapidly aging while discussing the unlikelihood of home ownership. In 2016 the creative was refreshed, in line with strategic brand objectives, which led to the development of the existing "Future You" executions which are designed to be positive, aspirational and extendable across multiple target segments. "Future You" depicts various relatable scenarios in which people are informed, by their future selves, that they can purchase their dream home – with help from HomeStart. Two executions, targeting young families and the up and comers, were delivered late 2016 and another two targeting single parents and influencers delivered in early 2018.

The Future You campaign strategy was intended to normalise the HomeStart brand and shift away from the perception of 'lender of last resort'. Building in positivity, likeability and relatability, with a slight twist of humour at the end, was crucial in order to connect with audiences and align with the terms "Sooner" and "Low Deposit". Appendix 1 illustrates in more depth the link between these creative executions and our brand strategy.

The purpose of this paper is to summarise research into the results of the brand strategy in the last five years, and show how the strategic brand review process has again been used to establish future directions.

2. Discussion

A brand strategy review is a comprehensive analysis to understand the health of our brand and guide future campaign strategy. The analysis of our brand has three parts;

1. Brand health tracking study
2. Brand 'spotlight' review
3. Reputational study

The desired outcome of the review is to analyse where the brand is strong and where further focus is required, and enable the Marketing team to deliver a brand strategy that will ensure the brand evolves and builds equity, over time.

Brand health tracking study*[1]*:

The table below shows a variety of brand health measures tracked over the life of the current strategy from 2013. It shows prompted brand awareness experienced an upward step change coinciding with the Future You campaign in (late) 2016. Unprompted brand awareness and consideration peaked in 2017, and the latest results show lower, albeit still strong, figures.

When viewed across the life of the brand strategy, the results achieved are very strong, and demonstrate the Future You campaign has exceeded all targets.

Brand measure	Target	2014	2015	2016 (mid)	2016 (late)	2017	2018
Prompted brand awareness	80-85%	NA	NA	NA	81%	85%	86%
Prompted brand recognition	50-60%	52%	51%	49%	69%	67%	61%
Unprompted brand awareness	12-15%	13%	11%	13%	21%	30%	24%
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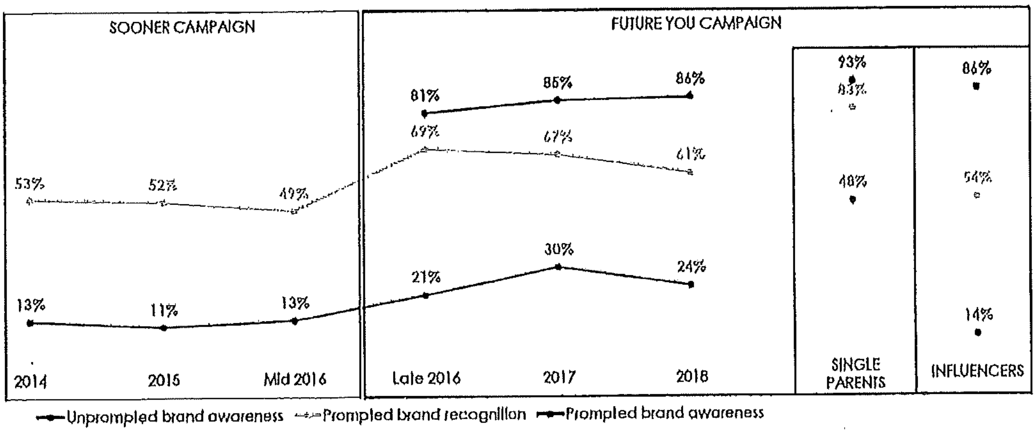
Unprompted advertising awareness	10-12%	9%	14%	14%	19%	20%	16%
Unprompted consideration of HomeStart	>9%	9%	7%	12%	19%	24%	19%

The chart below provides benchmarked findings for the two new target segments with the single parents segment significantly over indexing for unprompted awareness and consideration. These two segments were the targets of the most recent two executions in the Future You campaign, and were not previously measured separately.



Due to the quantitative nature of this study, it does not provide conclusive reasoning for the plateauing of results experienced by the "core" campaign group, however the most likely causes are thought to include advertising wear-out and market conditions. The research agency suggests the variation in most of the

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[1] Brand health study is undertaken by Mint Research and results provided to Department of Premier and Cabinet in HomeStart's semi-annual Campaign Evaluation Report. Full report available upon request.

results is not statistically significant (i.e. within error margins) but it is significant the campaign has been in market for nearly three years with two executions being 30 months old, and two that are 12 months old.

Brand 'spotlight' review:

The 'spotlight' review[2] was first facilitated by Showpony in 2013 and is a process designed to gain insights into the building blocks of our brand, and therefore inform the future strategy. It represented the start of HomeStart's relationship with Showpony, and their strength in brand strategy was a factor in their selection as our lead creative agency. Through late 2018 and early 2019 the 'spotlight' process was reviewed and refreshed. The key result has been a subtle shift in brand values and subsequently, development of a brand purpose:

We help South Australians find their own place in the world

When this thinking is expanded, and taken from the perspective of an individual, it reminds us that home ownership is "the most obvious and accessible symbol of personal power and achievement"[3]. The meaning of the brand purpose to HomeStart is that by helping South Australians find 'their place' it will help build their sense of emotional (and physical) security, strengthen community connections and deepen their own sense of belonging – and hence their place in the world. It recognizes that a person's "world" is not necessarily geographic (i.e. the purpose is not to be taken literally, as in global) but encompasses the deeper connections and sense of belonging.

This brand purpose lies at the heart of a 'brand passport" which is a key output of the 'spotlight' process. It details the building blocks of our brand and underpins the ethos of future marketing and communications at HomeStart. The brand purpose is used internally, between HomeStart and Showpony, as a means of setting the direction for creative decision making. It is not expected to be used as a consumer facing message and therefore will not appear in creative executions in a literal sense.

The creation of a purpose is new in the 'spotlight' process and is central to the updating of our 'brand passport' in 2019. At a practical level, the brand passport provides guidance for future campaigns including new concepts, key messages, tone, and the visual assets we wish to convey. The Future You creative leaned heavily on the brand passport and these attributes can be readily identified when it is reviewed.

Our new 2019 edition of the brand passport has a greater focus on the organization as a collective (as opposed to an individual, which was more pronounced in 2013), providing an understanding of what we do, why we do it and how. The values – Providing Opportunity, Financial Responsibility, Social Conscience, Education and Knowledge – are deliberately emotive and reflect the maturity of the brand as we understand the "next job to be done" will incorporate creating deeper connections with our customers. Appendix 2 contains both the 2019 and 2013 brand passports.

Brand reputation research

Showpony conducted brand reputation research in 2013 as part of the initial 'spotlight' process. As part of this brand strategy review the research was renewed in early 20194. The purpose of the brand reputation research is to measure HomeStart's current brand reputation, with customers, non-customers and brokers, and set benchmarks to drive future strategy. It also enables HomeStart to identify shifts in brand perception and association since 2013 which provides an insight into campaign effectiveness.

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[2] The full Spotlight review is available upon request.

[3] Social Commentator, Hugh MacKay.

[4] The full brand reputation research report available upon request.

The latest (2019) research identified that:

- Trends in unprompted brand awareness and consideration amongst non-customers closely mirrors the brand health tracking study findings, displaying an increase since 2013 and consistently performing better than BankSA and People's Choice Credit Union (see Appendix 3).
- There has been a stronger association with the terms 'Low Deposit', 'First Home Buyers', and 'Sooner' (Appendix 4) since the initial testing in 2013. This shows that our efforts in shifting and 'normalising' HomeStart associations have been working.
- Non-customers have an awareness, but lack a deeper understanding of us (although they do trust us). There is an opportunity to build on the awareness and deepen their understanding about HomeStart.
- The key brand attributes when choosing a home loan provider were Trustworthy, Flexible Lending Criteria, Lower fees and charges (no LMI) and Flexible Repayment Options (see Appendix 5).
- 'Trust' as a brand attribute, featured highly by respondents and presents an opportunity to leverage our high association with it. Other brand attributes inherent in our product offer are valuable and significantly differentiated from the market: we leverage them to help build understanding
- Brokers have a good understanding of both the HomeStart offer and needs/priorities of our customer target but feel our processing and approval turnaround times are slow and cumbersome. They perceive HomeStart as expensive option, which presents an opportunity to create a stronger alignment with the core brand attributes – Trustworthy, Flexible Lending Criteria, Lower fees and charges (no LMI) and Flexible Repayment Options. It shows we can better articulate our value for the broker, and customer.

Overall conclusions

The three key pieces of work in the brand strategy review show that desired shifts in awareness and association with the brand have been achieved since we started this process in 2013. It shows our brand is in a good position. Now with the 'spotlight' update completed there is an opportunity to extend these gains in coming years particularly through converting awareness into a deeper understanding of what HomeStart means, and demonstrating how it has value. The next steps will be to synthesize the reputational research, brand health and spotlight review to develop a comprehensive communications strategy for FY20, which will include setting the directions and objectives for new creative executions.

3. Recommendation

That the Board notes results of three key elements in the brand strategy review process will be used to develop future campaign strategy.

Andrew Mills
Head of Strategic Development

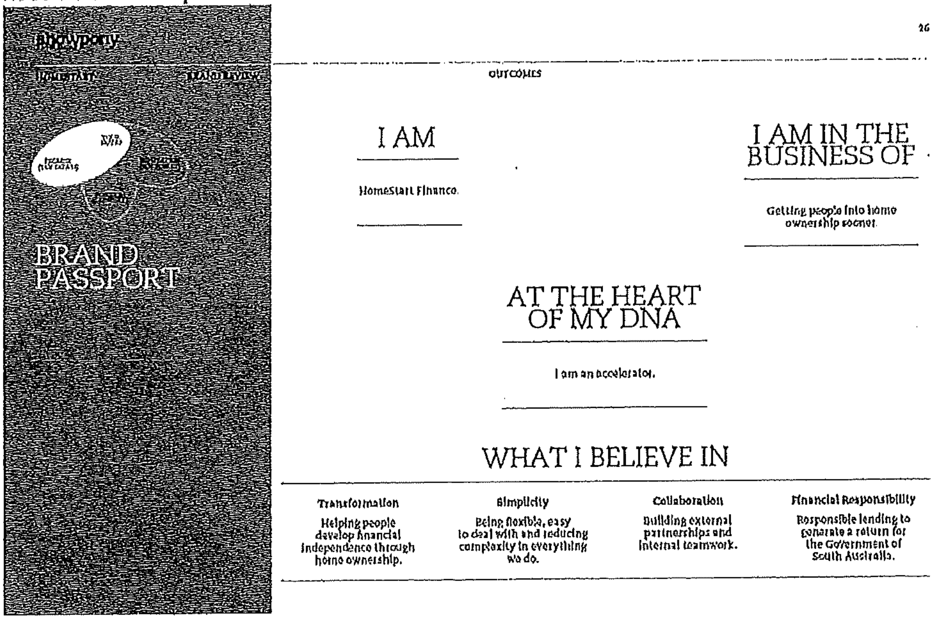
Appendix 1: Detailed Creative Strategy

The Future You campaign creative highlights:

- The creative delivers a problem/solution scenario with a positive outcome - as opposed to the Jason execution in which neither party was able to purchase a home as they aged. The new creative style delivers a "common slice of life" situation and is relatable by that target market.
- The scenarios take place during the day giving a bright and warm tone to the overall adverts.
- Throughout the adverts there is consistent use of the HomeStart visual brand assets which includes the blue colour, house logo and font and logo.
- The wardrobe style was contemporary and the talent were dressed as hard working, every day South Australians.
- Across the four adverts, there was consistency in the opening scene of every execution to ensure the dialogue occurs outside of an aspirational house for that target segment.
- The voice over talent has remained the same and a unique HomeStart jingle has been introduced and used across the four executions.
- Every advert provides a distinct platform that can be amplified across other channels including radio, outdoor, social and digital channels and at events.

Appendix 2 – Brand passports

2013 Brand Passport



BRAND PASSPORT

26

OUTCOMES

I AM

HomeStart Finance.

I AM IN THE BUSINESS OF

Getting people into home ownership sooner.

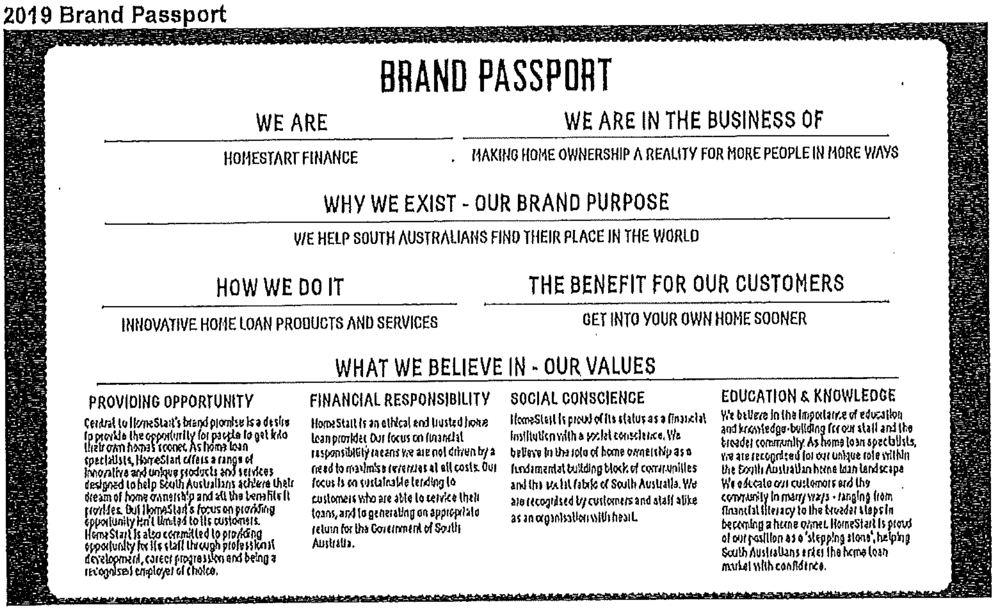
AT THE HEART OF MY DNA

I am an accelerator.

WHAT I BELIEVE IN

Transformation	Simplicity	Collaboration	Financial Responsibility
Helping people develop financial independence through home ownership.	Being flexible, easy to deal with and reducing complexity in everything we do.	Building external partnerships and internal teamwork.	Responsible lending to generate a return for the Government of South Australia.

2019 Brand Passport



BRAND PASSPORT

WE ARE

HOMESTART FINANCE

WE ARE IN THE BUSINESS OF

MAKING HOME OWNERSHIP A REALITY FOR MORE PEOPLE IN MORE WAYS

WHY WE EXIST - OUR BRAND PURPOSE

WE HELP SOUTH AUSTRALIANS FIND THEIR PLACE IN THE WORLD

HOW WE DO IT

INNOVATIVE HOME LOAN PRODUCTS AND SERVICES

THE BENEFIT FOR OUR CUSTOMERS

GET INTO YOUR OWN HOME SOONER

WHAT WE BELIEVE IN - OUR VALUES

PROVIDING OPPORTUNITY

Central to HomeStart's brand promise is a desire to provide the opportunity for people to get into their own homes sooner. As home loan specialists, HomeStart offers a range of innovative and unique products and services designed to help South Australians achieve their dream of home ownership and all the benefits it provides. But HomeStart's focus on providing opportunity isn't limited to its customers. HomeStart is also committed to providing opportunity for its staff through professional development, career progression and being a recognised employer of choice.

FINANCIAL RESPONSIBILITY

HomeStart is an ethical and trusted home loan provider. Our focus on financial responsibility means we are not driven by a need to maximise revenues at all costs. Our focus is on sustainable lending to customers who are able to service their loans, and to generating an appropriate return for the Government of South Australia.

SOCIAL CONSCIENCE

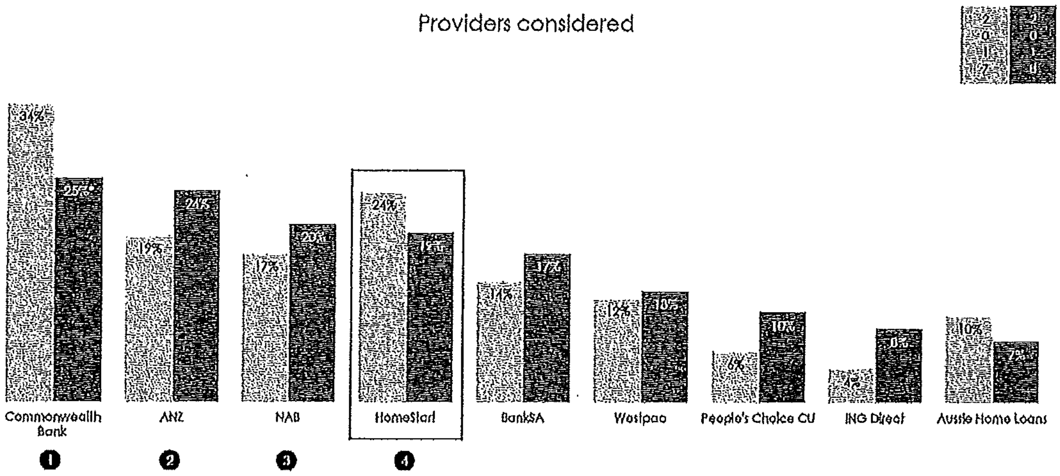
HomeStart is proud of its status as a financial institution with a social conscience. We believe in the role of home ownership as a fundamental building block of communities and the social fabric of South Australia. We are recognised by customers and staff alike as an organisation with heart.

EDUCATION & KNOWLEDGE

We believe in the importance of education and knowledge-building for our staff and the broader community. As home loan specialists, we are recognised for our unique role within the South Australian home loan landscape. We educate our customers and the community in many ways - ranging from financial literacy to the broader steps in becoming a home owner. HomeStart is proud of our position as a 'stepping stone', helping South Australians enter the home loan market with confidence.

Appendix 3: Unprompted brand consideration

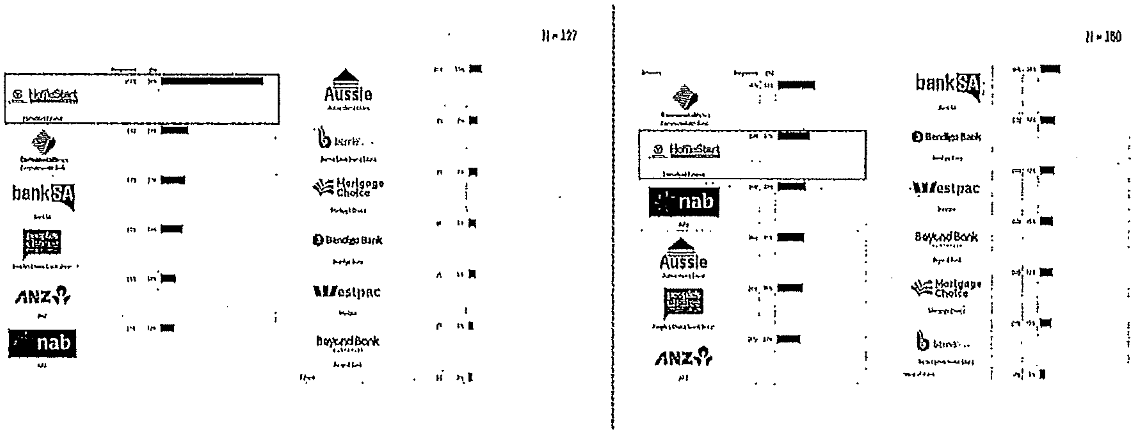
A. Brand health tracking study results 2018



B. Reputational study results 2019

CUSTOMERS CONSIDERATION NON-CUSTOMERS

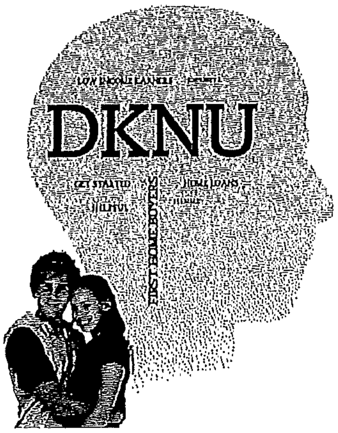
"When / If you were in the market for a home loan, which of the following finance companies did / would you consider? (select all that apply)"



Appendix 4: Word associations with HomeStart Finance

Non-Customers 2013

N = 160

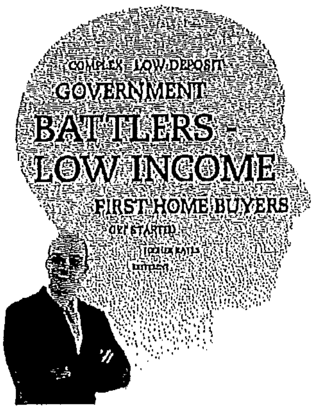


Non-Customers 2019

N = 127

Brokers 2013

N = 43

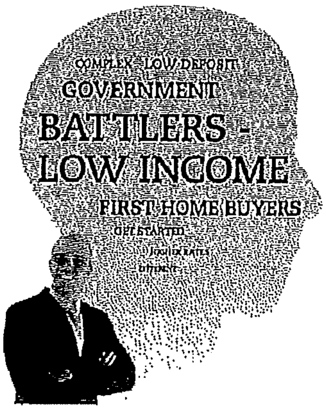


Brokers 2019

N = 60

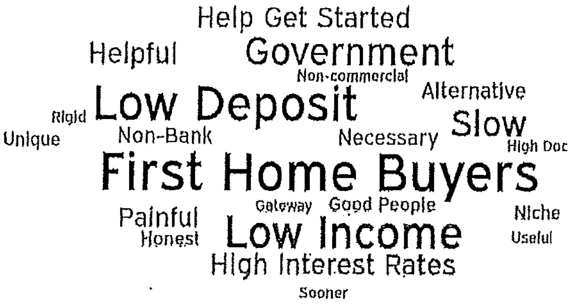
Customers 2013

N=43



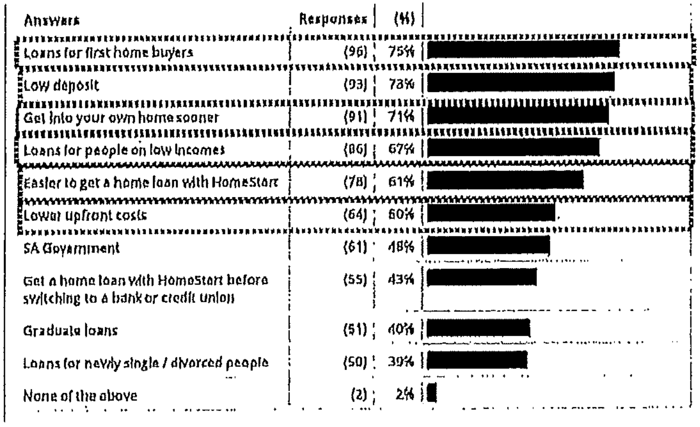
Customers 2019

N=80



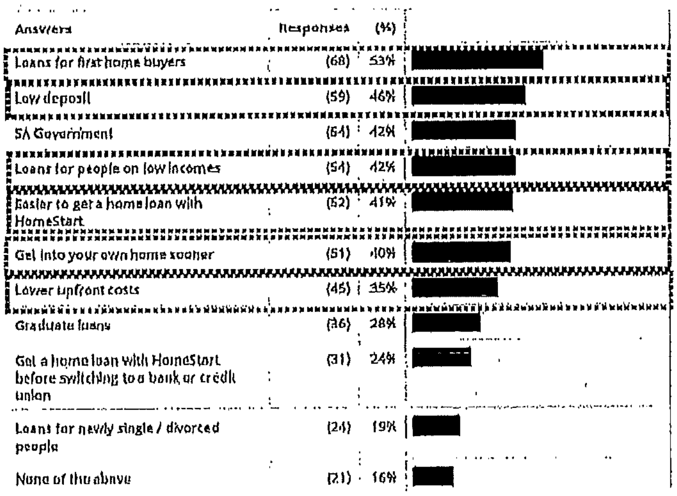
Appendix 5: Reputational research findings for brand attributes

Customers



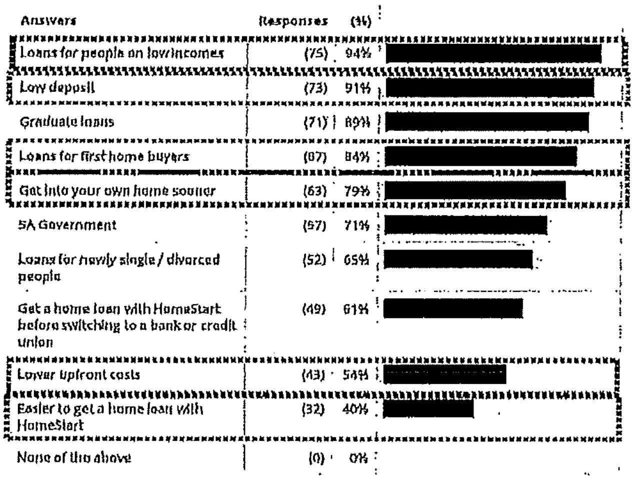
Answers	Responses	(%)
Loans for first home buyers	(96)	75%
Low deposit	(93)	73%
Get into your own home sooner	(91)	71%
Loans for people on low incomes	(86)	67%
Easier to get a home loan with HomeStart	(78)	61%
Lower upfront costs	(64)	60%
SA Government	(61)	48%
Get a home loan with HomeStart before switching to a bank or credit union	(55)	43%
Graduate loans	(51)	40%
Loans for newly single / divorced people	(50)	39%
None of the above	(2)	2%

Non-customers



Answers	Responses	(%)
Loans for first home buyers	(68)	53%
Low deposit	(59)	46%
SA Government	(64)	42%
Loans for people on low incomes	(54)	42%
Easier to get a home loan with HomeStart	(52)	41%
Get into your own home sooner	(51)	40%
Lower upfront costs	(45)	35%
Graduate loans	(36)	28%
Get a home loan with HomeStart before switching to a bank or credit union	(31)	24%
Loans for newly single / divorced people	(24)	19%
None of the above	(21)	16%

Brokers



Answers	Responses	(%)
Loans for people on low incomes	(75)	94%
Low deposit	(73)	91%
Graduate loans	(71)	89%
Loans for first home buyers	(67)	84%
Get into your own home sooner	(63)	79%
SA Government	(57)	71%
Loans for newly single / divorced people	(52)	65%
Get a home loan with HomeStart before switching to a bank or credit union	(49)	61%
Lower upfront costs	(43)	54%
Easier to get a home loan with HomeStart	(32)	40%
None of the above	(0)	0%

Board paper

Agenda item: 1903.8

Topic:	Retail Division Board Update
From:	Deborah Dickson
Date:	19/03/2019
Status:	Noting

1. Background

Following is an outline forming the basis of discussion on HomeStart's Retail Division.

2. Discussion

1. **Recent result highlights**
    a. Overall activity highlights and pipeline growth
    b. Broker channel results and developments
    c. Credit management (arrears and hardship) results
    d. Customer SLA and service results.

2. **Improvement activity and initiatives underway**
    a. Aussie on boarding
    b. Broker originations improvements
    c. Lender Governance model
    d. Exception identification and streamlining

3. **On the horizon**
    a. Distribution considerations

3. Recommendation

That the Board notes the above outline of topics for discussion.

Deborah Dickson
Head of Retail

HomeStart Finance

ASSET & LIABILITY COMMITTEE

9.00am Tuesday 19 March 2019

Government of South Australia

HomeStart FINANCE

1903

HOMESTART ALCO

The meeting to be held at 9.00am on Tuesday, 19 March 2019
in the HomeStart Finance Boardroom, Level 5, 169 Pirie Street, Adelaide

AGENDA

Welcome and apologies – Andrew Kennedy

Conflicts of interest

Minutes of previous meeting
- 19th February 2019
- Action List

Economic Update

SAFA Update

Papers/Presentations

Approval:

1903.1	Treasury Policy Review
1903.2	Hedging Strategy Review

Noting:

1903.3	Treasury Reports – February 2019
1903.4	Asset Quality Reports - February 2019
1903.5	Arrears Analysis Report
1903.6	Loan Portfolio Stress Testing
1903.7	Economic Update – GDP & State Final Demand

1903.8 *ALCO In Camera discussion*

Any Other Business

Close

Distribution:

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

* ALCO member

Minutes of Asset & Liability Committee Meeting held on Tuesday, 19 February 2019 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 [redacted] (minutes)

The Chair opened the meeting at 9.00am.

CONFLICTS OF INTEREST

There were no new conflicts of interest.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 18 December 2018 were confirmed as an accurate record.

ACTION LIST

There were no items on the Action List.

ECONOMIC UPDATE

David Hughes spoke to the circulated document "Economic Update – February 2019" and provided a general economic update. Points to note included;

- The RBA has left rates on hold; there is now little expectation of an increase in the cash rate before February 2020 at the earliest
- In a speech on 6 February to the National Press Club after the cash rate decision, the Governor suggested it was now a 50/50 bet as to whether the next rate movement was up or down, a significant change from previous statements
- Equity prices declined and credit spreads increased late in 2018, but these moves have since been partly reversed with most forecasters no longer expecting a further tightening of monetary policy in the United States
- The number of properties listed in South Australia has declined
- Credit conditions remain tight and are likely to stay that way for the foreseeable future following the release of the Royal Commission report and political uncertainty as we lead up to a federal election
- South Australia's unemployment rate is 5.8%; wage levels have remained flat across December with further statistics due out later this week

SAFA UPDATE

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

- Wage growth is above inflation and GDP, adding it is difficult to maintain growth in a country that has the highest minimum wage of a developed economy
- Andrew also noted that South Australia's unemployment rate is over the national average due to its population growth of only .7% and high percentage of an older population
- Despite the media coverage, eastern states housing prices have 'corrected' and remain above 2015 figures
- SAFA completed its 2018/19 funding program last week; short-term funding is the current focus
- Credit conditions started the year weak, however there has been a turnaround in the last few weeks
- The State government is continuing to fund jobs via small business

Approval Papers

1902.1 ALCO Charter Review 2019

Minor wording changes have been made to the Charter.

ALCO approved the ALCO Charter.

1902.2 Credit Sub-Committee Charter Review 2019

There are no changes to the text of the charter, only effective and review dates have been updated. One change will be made to the Charter - *3. Membership "The BCSC comprises ~~two~~ three members of HomeStart's Board, appointed by resolution of the Board."*

ALCO approved the Credit Sub-Committee Charter, subject to the minor amendment above.

1902.3 Refinancing Limit

David Hughes spoke to the paper. Treasury Policy 4 (Refinancing Risk) specifies that HomeStart's debt subject to refinancing in the next twelve-month period, is to be limited to 40% of total debt outstanding. The current level of refinancing over the next 12 months is 32% which comprises working capital (currently $333.8m) and $300m of borrowings maturing in August 2019. There is a further $275m of debt maturing on 24 February 2020 which will result in the refinancing level exceeding 40%.

Restoring refinancing to within the limit would require restructure of debt into a longer dated maturity which would most likely be November 2023 considering the current maturity profile of the debt portfolio. Management proposes that this be deferred until there is clarity on funding costs from July 2019. It is estimated that the level of refinancing on a rolling 12 months would be around 46% when the February maturities fall within twelve months this month and increase to 48% in July 2019 allowing for portfolio growth.

Following discussion, ALCO members stated their preference to not allow the refinancing limit to increase to 48%, whilst appreciating managements desire to confirm funding costs.

ALCO approved HomeStart to exceed its refinancing limit to 46% until the March 2019 ALCO meeting, at which options for restructure of debt will be considered.

Board paper

Agenda Item: 1903.7

Topic:	Brand Strategy Review
From:	Andrew Mills
Date:	19/03/2019
Status:	Noting

1. Background

Since 2013 HomeStart has followed a strategic brand development process through which it has focused on developing brand associations along the themes of "Sooner", "Low Deposit" and "First Home Buyers". The process has been run in conjunction with our creative agency, Showpony Advertising.

The first creative execution developed using this process was known as "Jason" and ran from 2013 to June 2016. The "Jason" creative was designed to illustrate the idea of "Sooner" and portrayed two young men near a fridge at a party, rapidly aging while discussing the unlikelihood of home ownership. In 2016 the creative was refreshed, in line with strategic brand objectives, which led to the development of the existing "Future You" executions which are designed to be positive, aspirational and extendable across multiple target segments. "Future You" depicts various relatable scenarios in which people are informed, by their future selves, that they can purchase their dream home – with help from HomeStart. Two executions, targeting young families and the up and comers, were delivered late 2016 and another two targeting single parents and influencers delivered in early 2018.

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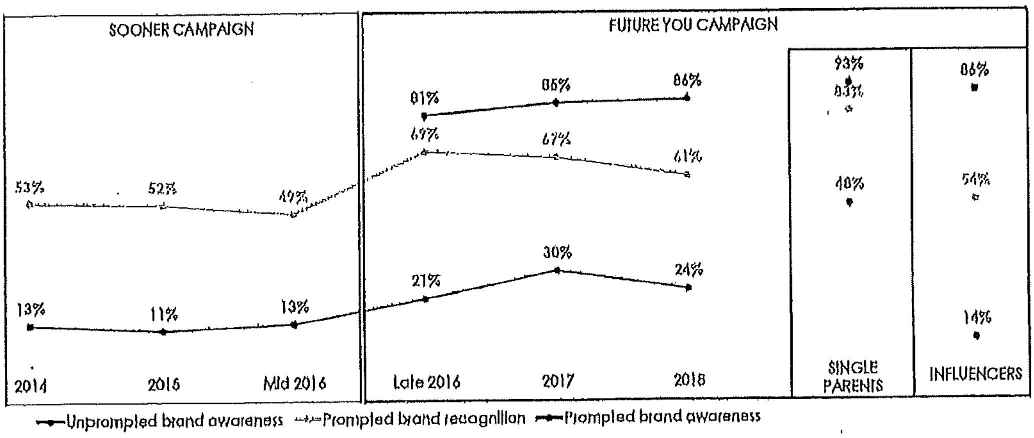

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[1] Brand health study is undertaken by Mint Research and results provided to Department of Premier and Cabinet in HomeStart's semi-annual Campaign Evaluation Report. Full report available upon request.

results is not statistically significant (i.e. within error margins) but it is significant the campaign has been in market for nearly three years with two executions being 30 months old, and two that are 12 months old.

Brand 'spotlight' review:

The 'spotlight' review[2] was first facilitated by Showpony in 2013 and is a process designed to gain insights into the building blocks of our brand, and therefore inform the future strategy. It represented the start of HomeStart's relationship with Showpony, and their strength in brand strategy was a factor in their selection as our lead creative agency. Through late 2018 and early 2019 the 'spotlight' process was reviewed and refreshed. The key result has been a subtle shift in brand values and subsequently, development of a brand purpose:

We help South Australians find their own place in the world

When this thinking is expanded, and taken from the perspective of an individual, it reminds us that home ownership is "the most obvious and accessible symbol of personal power and achievement"[3]. The meaning of the brand purpose to HomeStart is that by helping South Australians find 'their place' it will help build their sense of emotional (and physical) security, strengthen community connections and deepen their own sense of belonging – and hence their place in the world. It recognizes that a person's "world" is not necessarily geographic (i.e. the purpose is not to be taken literally, as in global) but encompasses the deeper connections and sense of belonging.

This brand purpose lies at the heart of a 'brand passport" which is a key output of the 'spotlight' process. It details the building blocks of our brand and underpins the ethos of future marketing and communications at HomeStart. The brand purpose is used internally, between HomeStart and Showpony, as a means of setting the direction for creative decision making. It is not expected to be used as a consumer facing message and therefore will not appear in creative executions in a literal sense.

The creation of a purpose is new in the 'spotlight' process and is central to the updating of our 'brand passport' in 2019. At a practical level, the brand passport provides guidance for future campaigns including new concepts, key messages, tone, and the visual assets we wish to convey. The Future You creative leaned heavily on the brand passport and these attributes can be readily identified when it is reviewed.

Our new 2019 edition of the brand passport has a greater focus on the organization as a collective (as opposed to an individual, which was more pronounced in 2013), providing an understanding of what we do, why we do it and how. The values – Providing Opportunity, Financial Responsibility, Social Conscience, Education and Knowledge – are deliberately emotive and reflect the maturity of the brand as we understand the "next job to be done" will incorporate creating deeper connections with our customers. Appendix 2 contains both the 2019 and 2013 brand passports.

Brand reputation research

Showpony conducted brand reputation research in 2013 as part of the initial 'spotlight' process. As part of this brand strategy review the research was renewed in early 20194. The purpose of the brand reputation research is to measure HomeStart's current brand reputation, with customers, non-customers and brokers, and set benchmarks to drive future strategy. It also enables HomeStart to identify shifts in brand perception and association since 2013 which provides an insight into campaign effectiveness.

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[2] The full Spotlight review is available upon request.

[3] Social Commentator, Hugh MacKay.

[4] The full brand reputation research report available upon request.

The latest (2019) research identified that:

- Trends in unprompted brand awareness and consideration amongst non-customers closely mirrors the brand health tracking study findings, displaying an increase since 2013 and consistently performing better than BankSA and People's Choice Credit Union (see Appendix 3).
- There has been a stronger association with the terms 'Low Deposit', 'First Home Buyers', and 'Sooner' (Appendix 4) since the initial testing in 2013. This shows that our efforts in shifting and 'normalising' HomeStart associations have been working.
- Non-customers have an awareness, but lack a deeper understanding of us (although they do trust us). There is an opportunity to build on the awareness and deepen their understanding about HomeStart.
- The key brand attributes when choosing a home loan provider were Trustworthy, Flexible Lending Criteria, Lower fees and charges (no LMI) and Flexible Repayment Options (see Appendix 5).
- 'Trust' as a brand attribute, featured highly by respondents and presents an opportunity to leverage our high association with it. Other brand attributes inherent in our product offer are valuable and significantly differentiated from the market: we leverage them to help build understanding
- Brokers have a good understanding of both the HomeStart offer and needs/priorities of our customer target but feel our processing and approval turnaround times are slow and cumbersome. They perceive HomeStart as expensive option, which presents an opportunity to create a stronger alignment with the core brand attributes – Trustworthy, Flexible Lending Criteria, Lower fees and charges (no LMI) and Flexible Repayment Options. It shows we can better articulate our value for the broker, and customer.

Overall conclusions

The three key pieces of work in the brand strategy review show that desired shifts in awareness and association with the brand have been achieved since we started this process in 2013. It shows our brand is in a good position. Now with the 'spotlight' update completed there is an opportunity to extend these gains in coming years particularly through converting awareness into a deeper understanding of what HomeStart means, and demonstrating how it has value. The next steps will be to synthesize the reputational research, brand health and spotlight review to develop a comprehensive communications strategy for FY20, which will include setting the directions and objectives for new creative executions.

3. Recommendation

That the Board notes results of three key elements in the brand strategy review process will be used to develop future campaign strategy.

Andrew Mills
Head of Strategic Development

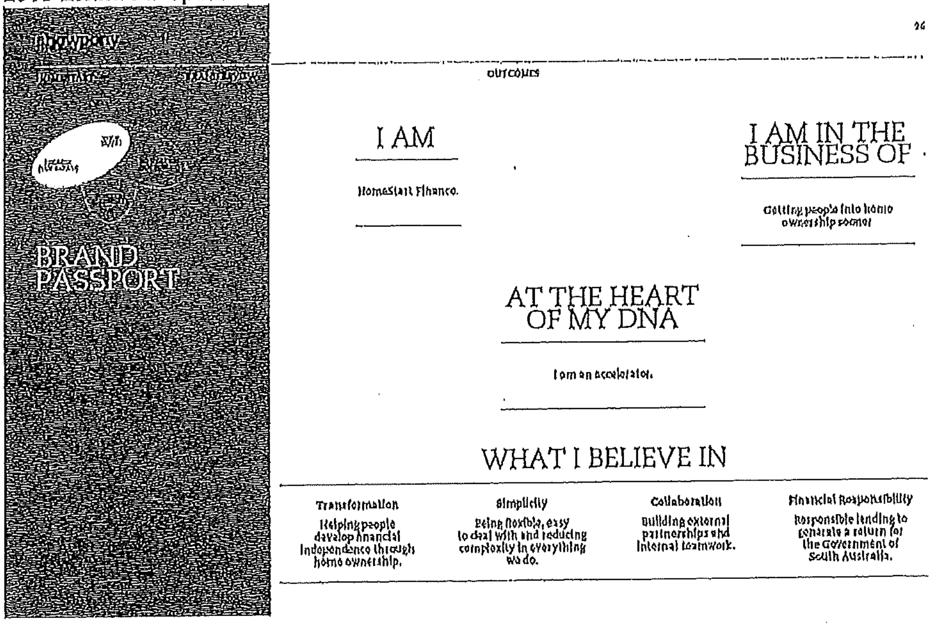
Appendix 1: Detailed Creative Strategy

The Future You campaign creative highlights:

- The creative delivers a problem/solution scenario with a positive outcome - as opposed to the Jason execution in which neither party was able to purchase a home as they aged. The new creative style delivers a "common slice of life" situation and is relatable by that target market.
- The scenarios take place during the day giving a bright and warm tone to the overall adverts.
- Throughout the adverts there is consistent use of the HomeStart visual brand assets which includes the blue colour, house logo and font and logo.
- The wardrobe style was contemporary and the talent were dressed as hard working, every day South Australians.
- Across the four adverts, there was consistency in the opening scene of every execution to ensure the dialogue occurs outside of an aspirational house for that target segment.
- The voice over talent has remained the same and a unique HomeStart jingle has been introduced and used across the four executions.
- Every advert provides a distinct platform that can be amplified across other channels including radio, outdoor, social and digital channels and at events.

Appendix 2 – Brand passports

2013 Brand Passport



BRAND PASSPORT

OUTCOMES

I AM

HomeStart Finance.

I AM IN THE BUSINESS OF

Getting people into home ownership sooner

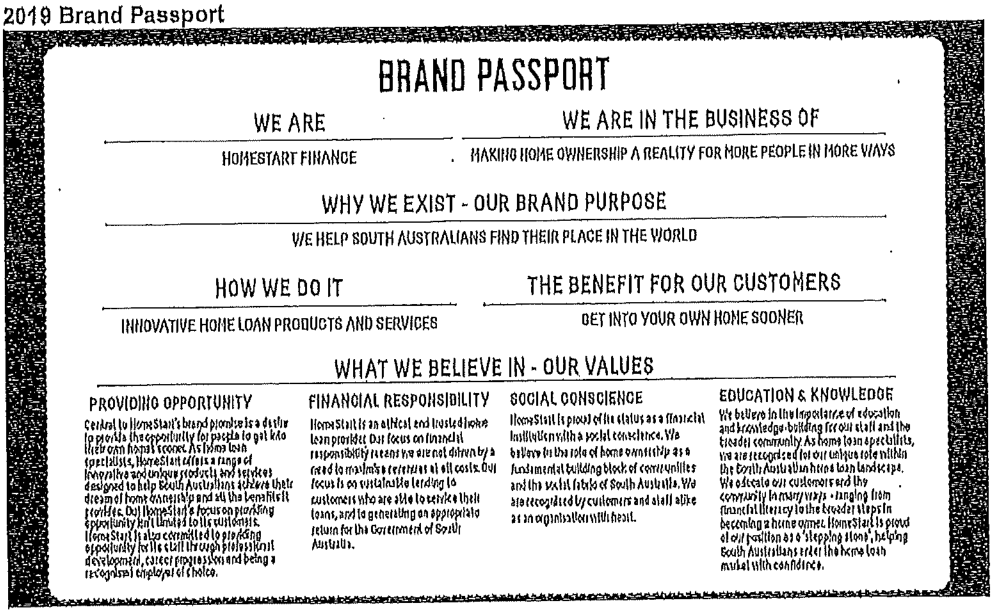
AT THE HEART OF MY DNA

I am an accelerator.

WHAT I BELIEVE IN

Transformation	Simplicity	Collaboration	Financial Responsibility
Helping people develop financial independence through home ownership.	Being flexible, easy to deal with and reducing complexity in everything we do.	Building external partnerships and internal teamwork.	Responsible lending to generate a return for the Government of South Australia.

2019 Brand Passport



BRAND PASSPORT

WE ARE

HOMESTART FINANCE

WE ARE IN THE BUSINESS OF

MAKING HOME OWNERSHIP A REALITY FOR MORE PEOPLE IN MORE WAYS

WHY WE EXIST - OUR BRAND PURPOSE

WE HELP SOUTH AUSTRALIANS FIND THEIR PLACE IN THE WORLD

HOW WE DO IT

INNOVATIVE HOME LOAN PRODUCTS AND SERVICES

THE BENEFIT FOR OUR CUSTOMERS

GET INTO YOUR OWN HOME SOONER

WHAT WE BELIEVE IN - OUR VALUES

PROVIDING OPPORTUNITY

Central to HomeStart's brand promise is a desire to provide the opportunity for people to get into their own homes sooner. As home loan specialists, HomeStart offers a range of innovative and unique products and services designed to help South Australians achieve their dream of home ownership and all the benefits it provides. But HomeStart's focus on providing opportunity isn't limited to its customers. HomeStart is also committed to providing opportunity for its staff through professional development, career progression and being a recognised employer of choice.

FINANCIAL RESPONSIBILITY

HomeStart is an ethical and trusted home loan provider. Our focus on financial responsibility means we are not driven by a need to maximise revenues at all costs. Our focus is on sustainable lending to customers who are able to service their loans, and to generating an appropriate return for the Government of South Australia.

SOCIAL CONSCIENCE

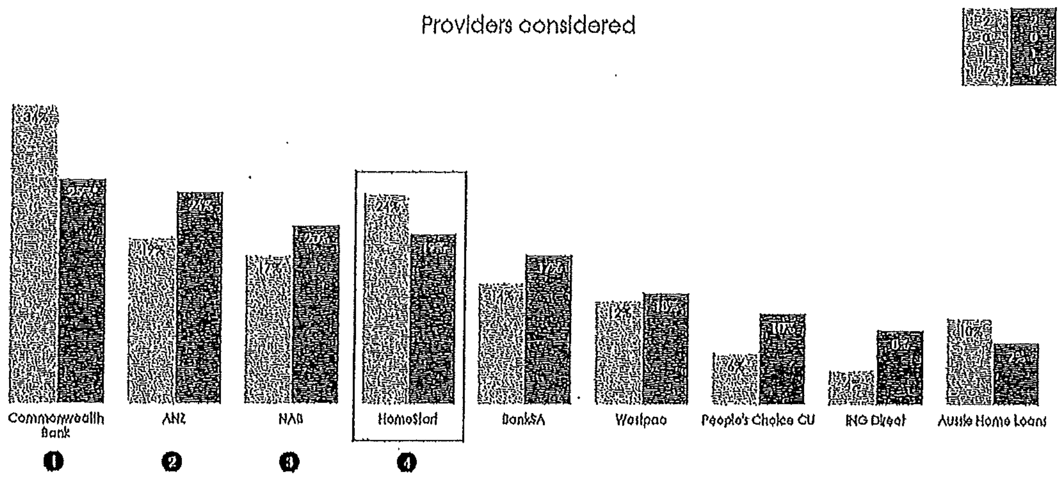
HomeStart is proud of its status as a financial institution with a social conscience. We believe in the role of home ownership as a fundamental building block of communities and the social fabric of South Australia. We are recognised by customers and staff alike as an organisation with heart.

EDUCATION & KNOWLEDGE

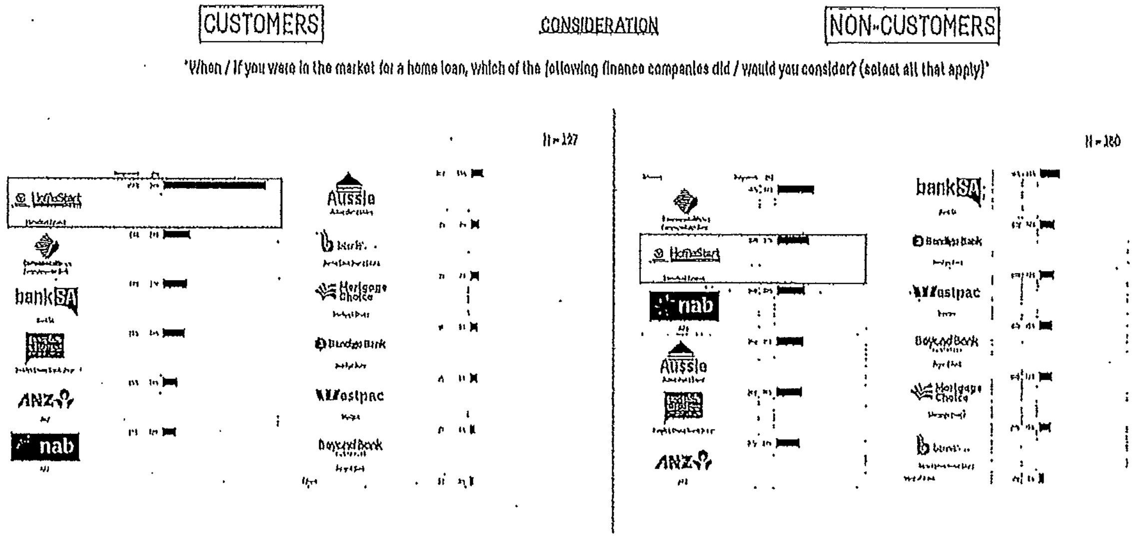
We believe in the importance of education and knowledge-building for our staff and the broader community. As home loan specialists, we are recognised for our unique role within the South Australian home loan landscape. We educate our customers and the community in many ways - ranging from financial literacy to the broader steps in becoming a home owner. HomeStart is proud of our position as a 'stepping stone', helping South Australians enter the home loan market with confidence.

Appendix 3: Unprompted brand consideration

A. Brand health tracking study results 2018



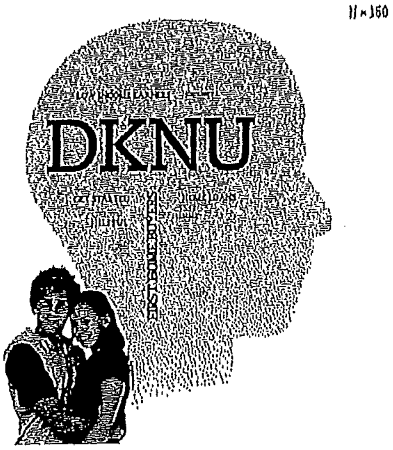
B. Reputational study results 2019



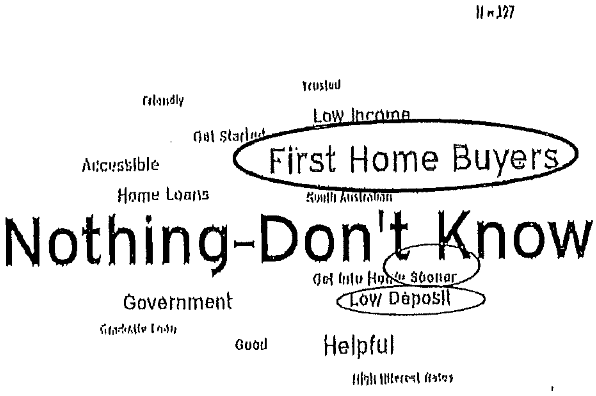
'When / If you were in the market for a home loan, which of the following finance companies did / would you consider? (select all that apply)'

Appendix 4: Word associations with HomeStart Finance

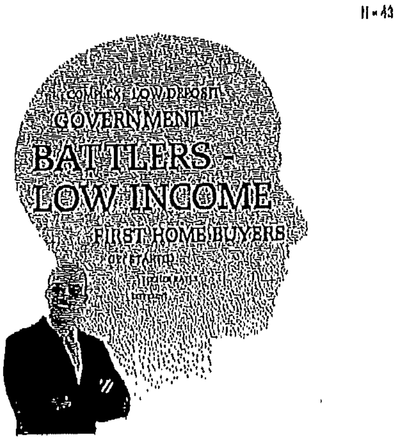
Non-Customers 2013



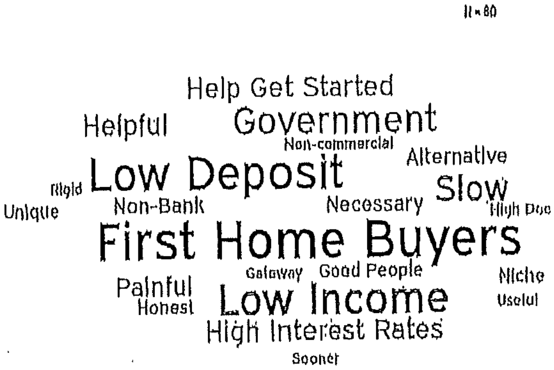
Non-Customers 2019



Brokers 2013

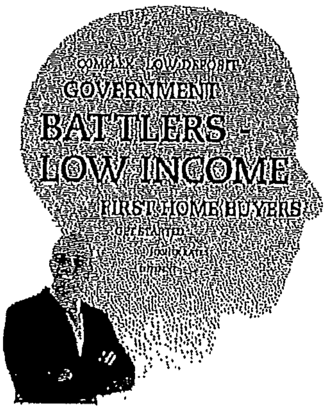


Brokers 2019



Customers 2013

N = 43



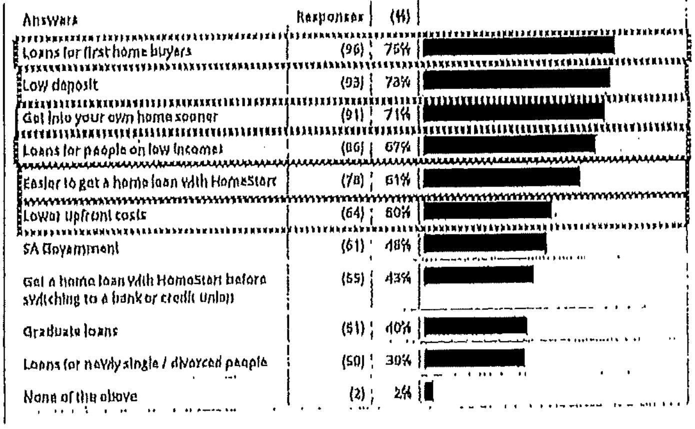
Customers 2019

N = 80

Help Get Started
Helpful
Government
Non-commercial
Alternative
Rigid
Low Deposit
Unique
Non-Bank
Necessary
Slow
High Doc
First Home Buyers
Gateway
Good People
Painful
Niche
Honest
Low Income
Useful
High Interest Rates
Sooner

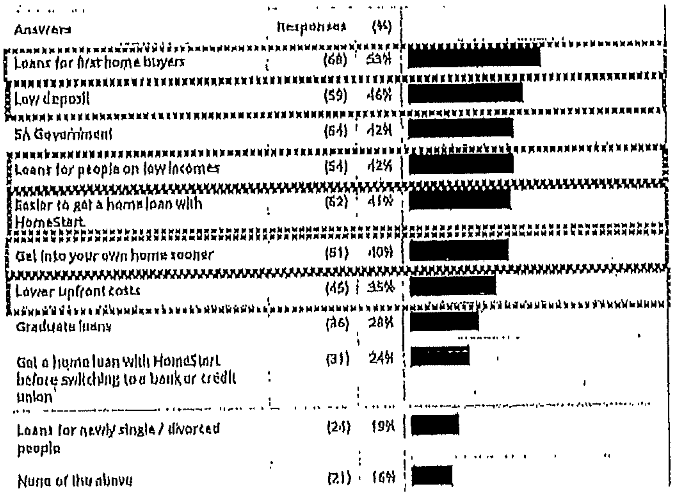
Appendix 5: Reputational research findings for brand attributes

Customers



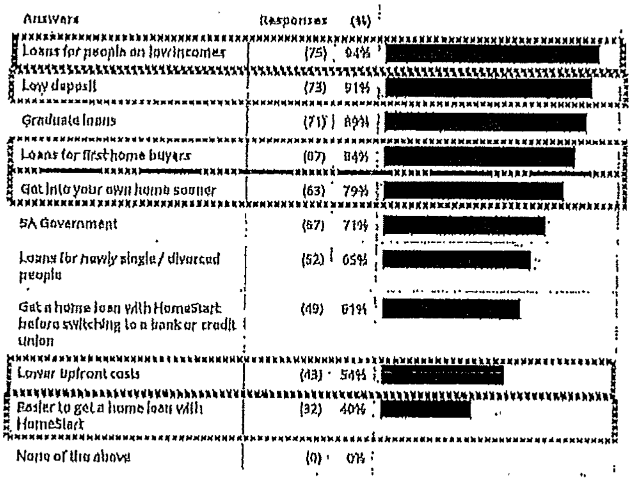
Answers	Responses	(%)
Loans for first home buyers	(96)	75%
Low deposit	(93)	73%
Get into your own home sooner	(91)	71%
Loans for people on low incomes	(86)	67%
Easier to get a home loan with HomeStart	(78)	61%
Lower upfront costs	(64)	50%
SA Government	(61)	48%
Get a home loan with HomeStart before switching to a bank or credit union	(55)	43%
Graduate loans	(51)	40%
Loans for newly single / divorced people	(50)	39%
None of the above	(2)	2%

Non-customers



Answers	Responses	(%)
Loans for first home buyers	(68)	53%
Low deposit	(59)	46%
SA Government	(54)	42%
Loans for people on low incomes	(54)	42%
Easier to get a home loan with HomeStart	(52)	41%
Get into your own home sooner	(51)	40%
Lower upfront costs	(45)	35%
Graduate loans	(36)	28%
Get a home loan with HomeStart before switching to a bank or credit union	(31)	24%
Loans for newly single / divorced people	(24)	19%
None of the above	(21)	16%

Brokers


Answers
Responses
(%)
Loans for people on low incomes
(75) 94%
Low deposit
(73) 91%
Graduate loans
(71) 89%
Loans for first home buyers
(07) 84%
Get into your own home sooner
(63) 79%
SA Government
(67) 71%
Loans for newly single / divorced people
(52) 65%
Get a home loan with HomeStart before switching to a bank or credit union
(49) 61%
Lower upfront costs
(43) 54%
Easier to get a home loan with HomeStart
(32) 40%
None of the above
(0) 0%

Board paper

HomeStart FINANCE

Agenda item: 1903.8

Topic:	Retail Division Board Update
From:	Deborah Dickson
Date:	19/03/2019
Status:	Noting

1. Background

Following is an outline forming the basis of discussion on HomeStart's Retail Division.

2. Discussion

1. **Recent result highlights**
    a. Overall activity highlights and pipeline growth
    b. Broker channel results and developments
    c. Credit management (arrears and hardship) results
    d. Customer SLA and service results.

2. **Improvement activity and initiatives underway**
    a. Aussie on boarding
    b. Broker originations improvements
    c. Lender Governance model
    d. Exception identification and streamlining

3. **On the horizon**
    a. Distribution considerations

3. Recommendation

That the Board notes the above outline of topics for discussion.

Deborah Dickson
Head of Retail

HomeStart Finance

ASSET & LIABILITY COMMITTEE

9.00am Tuesday 19 March 2019

Government of South Australia

HomeStart FINANCE

1903

HOMESTART ALCO

The meeting to be held at 9.00am on Tuesday, 19 March 2019
In the HomeStart Finance Boardroom, Level 5, 169 Pirie Street, Adelaide

AGENDA

Welcome and apologies – Andrew Kennedy

Conflicts of interest

Minutes of previous meeting
- 19th February 2019
- Action List

Economic Update

SAFA Update

Papers/Presentations

Approval:

1903.1	Treasury Policy Review
1903.2	Hedging Strategy Review

Noting:

1903.3	Treasury Reports – February 2019
1903.4	Asset Quality Reports - February 2019
1903.5	Arrears Analysis Report
1903.6	Loan Portfolio Stress Testing
1903.7	Economic Update – GDP & State Final Demand
1903.8	*ALCO In Camera discussion*

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*
Deb Dickson
Leon [redacted] (minute taker)

* ALCO member

Minutes of Asset & Liability Committee Meeting held on Tuesday, 19 February 2019 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 [redacted] Andrew Kennedy (SAFA) Don Munro (SAFA) Tricia [redacted] (minutes)

The Chair opened the meeting at 9.00am.

CONFLICTS OF INTEREST

There were no new conflicts of interest.

MINUTES OF PREVIOUS MEETINGS

The minutes of the previous meeting held on 18 December 2018 were confirmed as an accurate record.

ACTION LIST

There were no items on the Action List.

ECONOMIC UPDATE

David Hughes spoke to the circulated document "Economic Update – February 2019" and provided a general economic update. Points to note included;

- The RBA has left rates on hold; there is now little expectation of an increase in the cash rate before February 2020 at the earliest
- In a speech on 6 February to the National Press Club after the cash rate decision, the Governor suggested it was now a 50/50 bet as to whether the next rate movement was up or down, a significant change from previous statements
- Equity prices declined and credit spreads increased late in 2018, but these moves have since been partly reversed with most forecasters no longer expecting a further tightening of monetary policy in the United States
- The number of properties listed in South Australia has declined
- Credit conditions remain tight and are likely to stay that way for the foreseeable future following the release of the Royal Commission report and political uncertainty as we lead up to a federal election
- South Australia's unemployment rate is 6.8%; wage levels have remained flat across December with further statistics due out later this week

SAFA UPDATE

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

- Wage growth is above inflation and GDP, adding it is difficult to maintain growth in a country that has the highest minimum wage of a developed economy
- Andrew also noted that South Australia's unemployment rate is over the national average due to its population growth of only .7% and high percentage of an older population
- Despite the media coverage, eastern states housing prices have 'corrected' and remain above 2015 figures
- SAFA completed its 2018/19 funding program last week; short-term funding is the current focus
- Credit conditions started the year weak, however there has been a turnaround in the last few weeks
- The State government is continuing to fund jobs via small business

Approval Papers

1902.1 ALCO Charter Review 2019

Minor wording changes have been made to the Charter.

ALCO approved the ALCO Charter.

1902.2 Credit Sub-Committee Charter Review 2019

There are no changes to the text of the charter, only effective and review dates have been updated. One change will be made to the Charter - *3. Membership "The BCSC comprises ~~two~~ three members of HomeStart's Board, appointed by resolution of the Board."*

ALCO approved the Credit Sub-Committee Charter, subject to the minor amendment above.

1902.3 Refinancing Limit

David Hughes spoke to the paper. Treasury Policy 4 (Refinancing Risk) specifies that HomeStart's debt subject to refinancing in the next twelve-month period, is to be limited to 40% of total debt outstanding. The current level of refinancing over the next 12 months is 32% which comprises working capital (currently $333.8m) and $300m of borrowings maturing in August 2019. There is a further $275m of debt maturing on 24 February 2020 which will result in the refinancing level exceeding 40%.

Restoring refinancing to within the limit would require restructure of debt into a longer dated maturity which would most likely be November 2023 considering the current maturity profile of the debt portfolio. Management proposes that this be deferred until there is clarity on funding costs from July 2019. It is estimated that the level of refinancing on a rolling 12 months would be around 46% when the February maturities fall within twelve months this month and increase to 48% in July 2019 allowing for portfolio growth.

Following discussion, ALCO members stated their preference to not allow the refinancing limit to increase to 48%, whilst appreciating managements desire to confirm funding costs.

ALCO approved HomeStart to exceed its refinancing limit to 46% until the March 2019 ALCO meeting, at which options for restructure of debt will be considered.

Noting Papers

1902.4 **Treasury Reports – December 2018 and January 2019**

Leon [redacted] spoke to the paper. Points to note included;

- The inclusion of compliance reports for December 2018 and January 2019 were noted
- A high bank balance during the last week of December 2018 was due to customer payments being made whilst the office was closed

ALCO noted the report.

1902.5 **Asset Quality Reports – December 2018 and January 2019**

Leon [redacted] spoke to the paper. Points to note included;

- Arrears increased in December 2018 and January 2019, in part due to seasonal factors and extra repayments due in January
- The 90+days arrears continue to decline
- There were eight realisations for the months December and January; noting action is not taken on MIP properties over the Christmas period
- Year-to-date losses are 17% below the actuary level
- It was noted of the twenty potential shortfall properties in MIP for January 2019, three are in the metro area and seventeen are in regional areas

ALCO noted the report.

1902.6 **Loan Portfolio Stress Testing**

David Hughes spoke to the paper stating previous results have been presented as at a point in time, however it is now believed to be more appropriate to review these results as they change over time. This would give a more accurate position on whether our portfolio is becoming more or less exposed to capitalisation, using the same variable assumptions, at differing points in time.

As a result, the intention is to modify the reports, using the same variables, at December 2015, 2016, 2017 and 2018. The development of these reports and the analysis thereof is still underway and will be available to be presented at the March meeting

ALCO noted the report.

Leo [redacted] joined the meeting at 9.42am.

1902.7 **Country Lending Review**

Leo [redacted] spoke to the paper highlighting this review was predominantly aligning systems to policy. The new process also allowed for the inclusion of metropolitan as well as country areas and the inclusion of some new categories. Leo provided an overview of the capability of using Power BI to get graphical data out of the data warehouse that also incorporates 2016 census data. It is anticipated future reports will be live out of the data warehouse.

ALCO noted the report.

Leo [redacted] left the meeting at 9.59am.

OTHER BUSINESS

No other business was raised.

The Chair closed the meeting at 10.00am.

NEXT MEETING

The date of the next Asset & Liability committee meeting is Tuesday, 19 March 2019, commencing at 9:00am, at HomeStart Finance, Level 5, 169 Pirie Street, Adelaide.

CHRIS WARD
CHAIR
HOMESTART FINANCE

/ / 20

ALCO action list

19/03/2019

Agenda No.	Action Required	Date Raised	Completion Date	Person Responsible
1902.3	Refinancing Limit – debt restructure options	February 2019	March 2019	David Hughes
1902.6	Loan Portfolio Stress Testing – modified report to ALCO	February 2019	March 2019	David Hughes

ALCO committee paper

Agenda item: 1903.1

Topic:	Treasury Policy Review
From:	David Hughes
Date:	19/03/2019
Status:	Approving

1. Background

Management are responsible for the daily management of funding and interest rate risk exposures, in accordance with policy limits set by the Asset and Liability Committee, as a sub-committee of the Board. Each year, The Asset and Liability Committee review and approve any changes to these policy limits.

We have re-drafted the previous Treasury Master Document into a standard policy format and inserted it into the review calendars consistent with all other policy documents.
We have renamed it Treasury Policy which is more representative with its nature.
We have also added the Objective, Scope and Roles & Responsibilities, again consistent with all other policy documents.

2. Discussion

There have been no changes to the substance of the policy from what was reported in the Treasury Master Document.

The changes made last year to:
Include CBA as a potential counterparty
Reset the derivative limit from $600m to 1.5 times the exposure

have been included in this revised policy.

3. Recommendation

That the Committee approves the Treasury Policy.

David Hughes
Chief Financial Officer

HomeStart Finance

Treasury Policy 2019

Logistics

Number:	TREPOL_001
Effective Date:	19/03/2019
Approving Authority:	Executive Committee
Policy Owner:	Chief Financial Officer
Due For Review:	17/03/2020

Government of South Australia

HomeStart FINANCE

Table of Contents

1. Background

The management of funding and interest rate risk management has been delegated to management on a daily basis by the Asset & Liability Committee, a sub committee of the Board.

The Asset & Liability Committee review and approve policies within which management can operate without reference back to the ALCO Committee, unless policy limits are reached, at which time, Asset & Liability Committee approval is required or the position corrected.

This policy sets out the operating parameters within which management can act.

2. Objective

The objective of this policy is to provide management with the authorised limits, within which to act.

3. Scope

This policy applies to all debt instruments taken out to provide funding for HomeStart Finance, as well as any financial transactions to protect interest rate risk.

4. Roles & Responsibilities

Position Title	Responsibility
Asset & Liability Committee	Approves policy and reviews positions against policy
Chief Executive Officer	Approves transactions within limits
Chief Financial Officer	Approves and manages exposures within approved limits
Treasury Specialist	Enters into now arrangements with approval from CFO

5. Detail

5.1. Treasury Policy 1 - Approved Instruments

5.1.1. Overview

Management of funding and interest rate risks within HomeStart requires access to a range of treasury related products and instruments. However, this should be restricted to an identified list to ensure that HomeStart is not committed to inappropriate transactions.

5.1.2. Responsibility

Asset & Liability Committee and delegated to Executive Committee for implementation.

The Chief Executive Officer or Chief Financial Officer will approve all Forward Rate Agreements, Futures & swap transactions.

The Chief Executive Officer and Chief Financial Officer have delegated authority to raise new debt up to HomeStart's borrowing limit. The Asset & Liability Specialist and Senior Business Analyst have delegated authority to borrow up to $10 million of new debt and to enter into approved FRA, futures & swap transactions with SAFA. The Finance Team Leader, and Finance team members undertaking the daily cash requirement process have delegated authority to borrow up to $5M of new debt.

5.1.3. Current Policy

Instruments to be used to manage Homestart Finance's treasury exposures are as follows:

Investments:

- cash deposits only Borrowings:
- fixed interest rate debt, up to 15 years to maturity
- floating rate debt, up to 15 years to maturity
- short-term borrowings, up to 365 days to maturity
- all borrowings to be done from SAFA

Working capital facility with SAFA

Foreign Exchange: None

Commodities: None

Derivatives: There is a combined maximum derivative limit of 1.5 times the exposure from Fixed Rate loans and Shared Equity loans.

Forward Rate Agreements and Futures:

- will only be used to hedge /reduce HomeStart's interest rate risk and vary repricing characteristics of its debt, as per strategies
- a maximum time to FRA settlement of 6 months
- a maximum FRA tenor of 6 months
- maximum maturity of bank bill futures contracts not to exceed 12 months
- all FRAs and futures will be dealt through SAFA

Swaps:

Fixed/Floating

- will only be used to hedge interest rate exposure in relation to fixed rate assets
- a maximum maturity of 5 years (to hedge fixed rate loans)
- a maximum maturity of 15 years (to hedge the Breakthrough Loan and Shared Equity Option

products)

- all swaps will be dealt through SAFA

Floating/Floating

- will only be used to hedge debt repricing profile
- a maximum maturity of 3 years
- all swaps will be dealt through SAFA

Additions: Approval from Asset & Liability Committee is required for any additions or alterations to the above list

5.1.4. Review Responsibility

Asset & Liability Committee, each March

5.2. Treasury Policy 2 - Counterparties

5.2.1. Overview

Cash deposits made by HomeStart generate a direct credit risk against the counterparty, while off-balance sheet transactions may generate credit risk against the counterparty depending on the nature of the instrument and subsequent movements in market rates. This policy outlines the limitations that are imposed on HomeStart with respect to counterparties.

5.2.2. Responsibility

Asset & Liability Committee and delegated to the Chief Financial Officer for implementation.

5.2.3. Current Policy

Approved investment counterparties are as follows:

- South Australian Government Financing Authority
- Westpac Banking Corporation
- Commonwealth Bank of Australia

All debt transactions must be undertaken with SAFA

Counterparty credit limits are determined as follows:

- SAFA: unlimited

5.2.4. Review Responsibility

Asset & Liability Committee, each March.

5.3. Treasury Policy 3 - Interest Rate Risk

5.3.1. Overview

A key objective of HomeStart's treasury function is to ensure that open interest rate positions are managed appropriately. This policy also specifically deals with the interest rate cap risk in the HomeStart lending portfolios.

5.3.2. Responsibility

Asset & Liability Committee and delegated to the ExecutiveCommittee for implementation.

5.3.3. Current Policy

- All liabilities and derivatives are to be reported on a Treasury Dashboard for review by the Executive Committee weekly.
- No fixed interest reset on any borrowing or investment beyond five years is permitted.
- The Chief Executive Officer is to be notified immediately in the event of unrealised losses on FRA's and futures exceeding $250,000.
- Fixed rate home loans earn a fixed rate of interest for a specified period of up to five years, which means that the repricing period is also up to five years. These home loans are funded by the general pool of HomeStart funding, which has a much shorter repricing period, in order to meet the needs of HomeStart's portfolio of variable rate home loans. Advantage loans written before March 2014 which are repaid prior to their fifth anniversary are interest free, and can therefore be treated as fixed rate loans, earning a rate of 0%. The Breakthrough Loan and Shared Equity Option may be treated as fixed rate loans with maturity buckets out to 15 years. Consequently HomeStart extends the repricing period on part of its funding, using fixed/floating swaps.
- HomeStart's variable rate home loans have a repricing period of 15 days, but some of its variable rate debt funding may have repricing periods of up to 180 days. In order to manage this risk HomeStart may occasionally enter into basis swaps in which it receives a variable rate cashflow based on the three or six month bank bill rate, and pays a variable rate cashflow based on the one month bank bill rate. Both the volumes dealt and mark-to-market movements of basis swaps are likely to be small. HomeStart is comfortable with this instrument being treated as "fair value through P&L" provided that this does not jeopardise its capacity to treat them as cash flow hedges if their volume grows to the point where mark to market variations are significant.
- Hedge effectiveness will be assessed prospectively and retrospectively, semi-annually in accordance with the relevant Australian Accounting Standards, whereby the following terms of the hedging instrument match that of the hedged item represented by a hypothetical derivative:
  - Notional amount
  - Maturity date
  - Reset basis

- Fixed interest rate

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss. Monitoring of effectiveness will take place on a semi-annual basis however the measurement of impacts will be accounted for via journal entry each reporting period semi-annually.

- HomeStart enters into bank bill futures and FRA transactions from time to time to redress short term mismatches in the asset/liability repricing profile. These transactions are undertaken for hedging purposes, but the volumes tend to be relatively small with the mark to market movements also relatively small. Consequently HomeStart is comfortable allowing these to be treated as "fair value through the P&L" provided that this does not jeopardise our capacity to treat them as cash flow hedges if their volume grows to the point where mark to market variations are significant.

5.3.4. Review Responsibility

Asset & Liability Committee, each March.

5.4. Treasury Policy 4 - Refinancing Risk

5.4.1. Overview

The purpose of the refinancing policy is to ensure that HomeStart does not have an excessive funding requirement on any given day, or during a month or year, which may jeopardise the capacity of both HomeStart and the State of South Australia to raise funds on reasonable terms.

5.4.2. Responsibility

Asset & Liability Committee and delegated to Executive Committee for implementation.

5.4.3. Current Policy

- HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 40% of total debt outstanding.
- HomeStart's debt subject to refinancing in any subsequent rolling 12 month period is to be limited to 40% of total debt outstanding.
- HomeStart's debt subject to refinancing during the current calendar month or the next calendar month is to be limited to 30% of total debt outstanding.
- HomeStart's debt subject to refinancing on any day during the current calendar month or the next calendar month is to be limited to $100 million excluding floating rate notes issued against SAFA 'select lines' and the balance of Working Capital.

5.4.4. Review Responsibility

Asset & Liability Committee, each March.

5.5. Treasury Policy 5 - Cash Management

5.5.1. Overview

Prudent management of HomeStart's balance sheet requires that it hold a level of cash, which is reasonable in light of its potential short-term cash requirements, cost of funds, reinvestment capability and alternate sources of liquidity.

5.5.2. Responsibility

Asset & Liability Committee and delegated to Executive Committee for implementation.

5.5.3. Current Policy

HomeStart's funding is currently provided exclusively by SAFA. This relationship is governed by a borrowing limit and a Client Services Agreement dated 17 December 2002. As this currently gives HomeStart ready access to a significant volume of liquidity, there is little pressure to hold large cash reserves.

HomeStart's day to day banking is currently undertaken using a special deposit account (SDA) with Westpac Banking Corporation which may change to CBA at a future date. Westpac currently charges a market rate for any overdrawn balances, which is the Unarranged Lending Rate (ULR). Credit balances earn the monthly BBSW rate plus 0.45%, calculated daily and credited monthly. HomeStart's policy is to target a daily cash balance of approximately $1.5M.

In the case of a liquidity crisis the Executve Commitee will make a decision on ceasing any further approvals. Current approvals will be funded with repayments from mortgages. The risk of a liquidity crisis is mitigated through the Cabinet approved borrowing limit, updated by agreed Operating Paramaters with Department of Treasury and Finance.

5.5.4. Review Responsibility

Asset & Liability Committee, each March.

5.6. Treasury Policy 6 - Level of Short-Term Debt

5.6.1. Overview

This policy defines a minimum level of short-term debt, which should be held to manage short-term liquidity risk with regard to HomeStart's net cashflow. The aim is to hold enough short-term debt which can be retired early should a surge in net cash-in occur. This should avoid the need for early retirement of committed rate funding, which attracts an early retirement fee.

5.6.2. Responsibility

Asset & Liability Committee and delegated to Executve Committee on the following proviso; the forecast for the level of short-term debt is to be included, each month, in the ALCO papers. As long as the Asset & Liability Committee approves the forecasts the responsibility will lie with the Executive Committee, in line with the recommended and approved funding strategy.

5.6.3. Current Policy

The level of Short Term debt be held in line with the monthly funding strategy & cash liquidity forecasts, which have been approved/noted by the Asset & Liability Committee.

Short-term debt is defined as a debt instrument with a remaining term to maturity of less than or equal to 365 days.

5.6.4. Review Responsibility

Asset & Liability Committee, each March.

5.7. Appendix - Reporting

The Asset & Liability Committee should receive, as a minimum, the following reports:-

5.7.1. Monthly

- Statement as to whether Treasury Policies have been complied with, and if not, which policy is not complied with, why and what action is planned to rectify the non-compliance.
- A proposed funding strategy should address:
  - action to be taken for forecast daily cashflows
  - possible strategies for FRA and futures transactions
  - possible strategies for swap transactions
  - other action to be taken to comply with Treasury Policy 6
- Schedule of Outstanding Debt showing:
  - assets in yearly maturity buckets
  - debt in maturity buckets
  - derivative transactions in yearly maturity buckets
  - amount of Short-term debt
  - amount of Long-term debt
  - weighted average interest rate
- Market Value Report provided by SAFA for debt and derivative transactions, with repayment values calculated with 'mid-prices'.
- Maturity Ladder showing compliance with Treasury Policy 6 for:
  - maturities for current month and next month
  - maturities for rolling 12 month periods
  - the refinancing of forecast maturities
  - compliance with approved borrowing limit
  - amount of short-term facility, if in place
  - average daily cash balances for the month
- Liquidity Report showing:

- actual cash flows for current month, detailed forecast for next month and monthly cash projections for next twelve months

➢ Unrealised gains/losses on all forward and off balance sheet transactions.

5.7.2. Review Responsibility

Asset & Liability Committee, each March.

ALCO committee paper

Agenda Item: 1903.2

Topic:	Hedging Strategy Review
From:	David Hughes
Date:	19/03/2019
Status:	Approving

1. Background

HomeStart's funding from SAFA is priced at floating rates and under Treasury Policy 3 (Interest Rate Risk) HomeStart manages its interest rate risk relating to fixed rate asset exposures by entering into interest rate swaps to convert future variable interest payments into fixed interest payments. The asset exposures comprise fixed rate loans, the former Breakthrough loan which has a fixed facility fee and new Shared Equity Option (SEO) which has no facility fee.

The objective is to maintain margin between the earning and funding rate. HomeStart currently hedges the positions as close as practicable to 100% and reports monthly hedging activity and positions by maturity bucket. The last review of the hedging strategy was approved by ALCO at March and April 2018 meetings with a review scheduled for 6 months after initial settlement of SEO loans (from June 2018).

2. Discussion

The current approved hedging strategy for interest rate risk is: [1]

Fixed rate loans
- To hedge exposures from 1 year to 3 years
- Positions up to 6 months may remain unhedged given the short timeframe and low risk in terms of uncertainty and term
- For exposures 6 months to under 1 year, consider the current outlook of cash rates and the likelihood of a cash rate increase (using forecasts in ALCO reports and market data)

Shared equity loans
- Management be given a discretion to hedge the portfolios within a target hedging range of 80% to 100%
- That same principles for exposures under 1 year apply as for standard fixed rate loans
- That the Breakthrough and SEO portfolios be combined in assessing the hedging targets
- That the projected paydown rate for the SEO be initially set using the experience of the Breakthrough loan
- That the target hedging range be subject to an annual review or be reviewed sooner in the event of a substantial change in financial market conditions.

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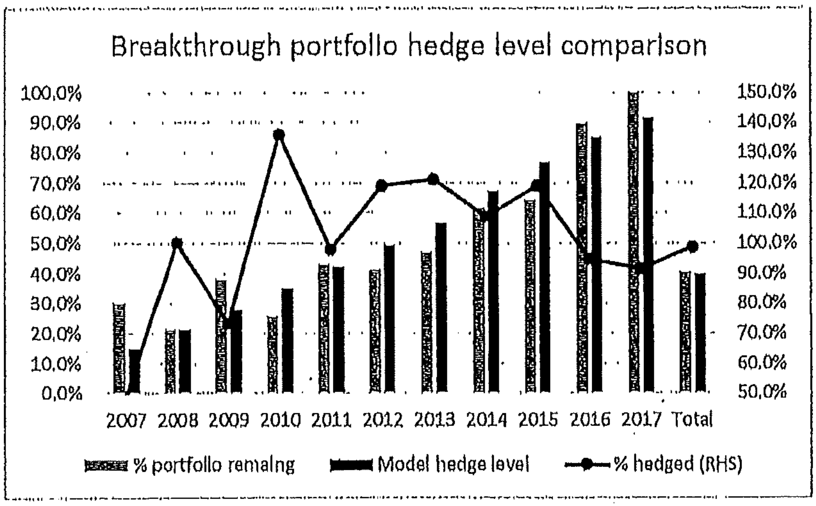
[1] ALCO papers 1803.2 and 1804.1

The interest rate risk characteristics between these exposures are quite different:

	Fixed rate	Shared equity
Duration of hedge	Maximum of 3 years	Projected discharge / amortisation rate (current assumption up to 14 years)
Certainty of term	High – most run to fixed rate term	Lower – determined by customer behaviour / loan life
Prepayment risk mitigation	Customer may be liable for break-cost for exit / discharge or repayments over $10,000 pa	Review of repayment assumptions New loans can reduce potential over-hedge positions
Hedging risk	Low - shorter duration and potential offset from break-cost	Higher - longer duration and uncertainty of customer repayment behaviour resulting in under or over hedged positions

The objective of hedging these positions is to manage risk by providing greater stability of margin from changes in interest rates. Hedging of fixed rate loans is relatively straight-forward in terms of certainty and risk. The characteristics of the shared equity products make hedging outcomes less certain (including longer duration and greater potential for variation to the hedge position) and require further consideration in developing a hedge strategy. An under-hedged position has potential exposure to a reduced net margin in event of rising interest rates and an over-hedged position has potential exposure to a reduced net margin in event of falling interest rates. While an over-hedged position can be offset by new lending, there is still exposure to a reduced margin if interest rates fall between the time of taking out the hedge and settlement of new loans.

Managing the hedging risk of share equity loans relies on estimates of future portfolio repayment rates to determine the level of hedging positions over time. The following graph compares remaining Breakthrough portfolio (% of original settled) by year settled to the hedge level under current assumptions used to determine hedging. The line on the graph shows the hedge level relative to the portfolio remaining (% on RHS scale).



In overall portfolio terms the model assumptions appears reliable as the theoretical hedge level (at 99%) is close to the actual portfolio level. However there is some volatility across the portfolio with over-hedging (136%) occurring in 2010 settlements and to a lesser extent from 2012 to 2015 (109% to 120%) and slight under hedging (90-95%) in 2016 and 2017.

Analysis of repayments over the last 24 months has showed some slowing in repayments although it is variable by year of origination with higher repayment levels experienced in particular for 2010 and 2015 settlements which have contributed to the over hedged position for these periods. Variations by period are more important than the overall hedge position as they determine the duration of hedges required to match interest rate positions.

Since first settlement of SEO loans in June 2018 the portfolio has grown to $2.4m which has been offset by $3.7m reduction from paydown of the Breakthrough portfolio which is a net decline of around 2.7%. However, as indicated above the paydown of the Breakthrough portfolio recently has been lower than projected. This reduces the likelihood of being over-hedged on a combined position for these portfolios although there are over-hedged positions for some periods. The practice of combining the Breakthrough and SEO portfolios allows this to be managed as new SEO lending exposures can offset the over-hedged positions.[2] Over-hedged shared equity positions could also be offset by new fixed rate loans although this is limited as fixed rate loans have a maximum term of 3 years.

At the time of approving the current strategy early in 2018 the cash rate was at historical lows and the consensus view was that the next move would be up, albeit some time off. This position was much the same throughout 2018 with concerns about the lack of wages growth and risks to global growth pushing the timing out for a rate increase. In recent weeks the risk factors have become more prominent and the RBA Governor has indicated there is now more of a balance between the likelihood of a rate cut and a rate rise. This has resulted in a reduction of swap rates, particularly beyond the 1 year term.

In the current scenario of low market rates and potential growth from the new SEO product to offset any over-headed positions, it is expected that hedging would be undertaken at a level closer to upper end of the target range. HomeStart currently hedges the positions as close as practicable to 100% but a lower hedge cover may be recommended where:

- The portfolios have a low growth rate or are at risk of declining at a rate that would result in positions being over-hedged or
- Market rates move so that it is assessed as likely that the cost of hedging would exceed the benefits.

The focus of hedging is risk management to provide stability to (rather than maximize) interest margin. The rationale for allowing a target range and review process for hedging is to provide some discretion and ability to mitigate hedging risk (as described in the table and discussion on the previous page) under different portfolio and market conditions. Also it is recognised that when interest rates are stable (as currently when the last cash rate move was in August 2016) there is a low risk in maintaining short term positions and so discretion has been allowed in the current and proposed strategies.

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[2] Although as stated earlier, there is still exposure to a reduced margin if interest rates falling between the time of taking out the hedge and settlement of new loans

The strategy proposed below is similar to that recommended previously but with some simplification and a hedge range added for fixed rate loans for consistency and clarity in measuring compliance.

Fixed rate loans

- To maintain hedging levels within a target range of 90% - 100% [3]
- To hedge exposures from 1 year to 3 years
- To provide a discretion to management on hedging positions of less than 1 year having regard the level of risk in terms the exposure and likelihood of a cash rate increase over the time-frame

Shared equity loans

- To maintain hedging levels within a target range of 80% - 100% [4]
- To provide a discretion to management on hedging positions of less than 1 year having regard the level of risk in terms the exposure and likelihood of a cash rate increase over the time-frame
- That the Breakthrough and SEO portfolios be combined in assessing the hedging targets.

The shared equity portfolios will be subject to ongoing review and analysis to monitor trends and variability in portfolio repayments levels by period and over time. This will be facilitated with proposed developments to data warehouse reporting. The projected paydown of the SEO portfolio was set initially using the experience of the Breakthrough loan. As there have been no repayments on this portfolio to date the review process will include a reassessment of the projected paydown of this portfolio.

The hedging strategy and ranges will be subject to an annual review or be reviewed sooner in the event of a substantial change in financial market conditions. Any recommendation to set a lower target range would take account of HomeStart's risk appetite, market conditions and a more detailed assessment including quantification of the risks.

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[3] The range allows for lag between loan origination and settling hedges

[4] A wider range has been provided to allow for the greater risk of over-hedging including longer duration and uncertainty of customer repayment behaviour

3. Recommendation

That the ALCO approves the follow hedging strategy for managing interest rate risk:

1. Fixed rate loans:
    - To maintain hedging levels within a target range of 90% - 100%
    - To hedge exposures from 1 year to 3 years
    - To provide a discretion to management on hedging positions of less than 1 year having regard the level of risk in terms the exposure and likelihood of a cash rate increase over the time-frame
2. Shared equity loans:
    - To maintain hedging levels within a target range of 80% - 100%
    - To provide a discretion to management on hedging positions of less than 1 year having regard the level of risk in terms the exposure and likelihood of a cash rate increase over the time-frame
3. Use a combined portfolio approach to hedging the shared equity products and offset over-hedged and under-hedged fixed rate asset positions

That the ALCO notes additional strategies for managing hedging risk including:

- Further analysis and reporting of repayments of shared equity portfolios will occur to monitor, review and refine the hedging position of these portfolios
- The hedging strategy will be subject to an annual review or be reviewed sooner in the event of a substantial change in financial market conditions
- Over-hedged shared equity positions may be offset by new fixed rate loans (although limited to the term of fixed rate loans up to 3 years).

David Hughes
Chief Financial Officer

ALCO committee paper

Agenda Item: 1903.3

Topic:	Treasury Reports – February 2019
From:	David Hughes
Date:	19/03/2019
Status:	Noting

1. Discussion

Funding Update

Net borrowings increased by $7.7m over February 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 review the potential restructure of short term debt into FRNs
- Continue to undertake swaps to manage the position on fixed rate lending.

Summary of funding at the end of February 2019

Funding	Rate	Margin	G/fee	Total	Value
Working capital	1.84%	0.06%	1.36%	3.26%	341,556,540
Short term debt	1.84%	0.06%	1.36%	3.26%	-
FRN	2.21%	0.06%	1.54%	3.81%	1,647,000,000
Total	2.14%	0.06%	1.51%	3.71%	1,988,556,540

Cash and swap rate forecasts

Cash rate	*Mar '19*	*Jun '19*	*Sep '19*	*Dec '19*	*Mar '20*	*Comment*
ANZ	1.50	1.50	1.50	1.50	1.50	Rise in Q3 2020
CBA	1.50	1.50	1.50	1.50	1.50	Rise in Q4 2020
NAB	1.50	1.50	1.25	1.00	1.00	
WBC	1.50	1.50	1.25	1.00	1.00	
SAFA	1.50	1.50	1.50	1.50	1.50	
HomeStart	1.50	1.50	1.50	1.50	1.50	
Reuters poll	1.50	1.50	1.50	1.50	1.50	Flat to Q3 2021

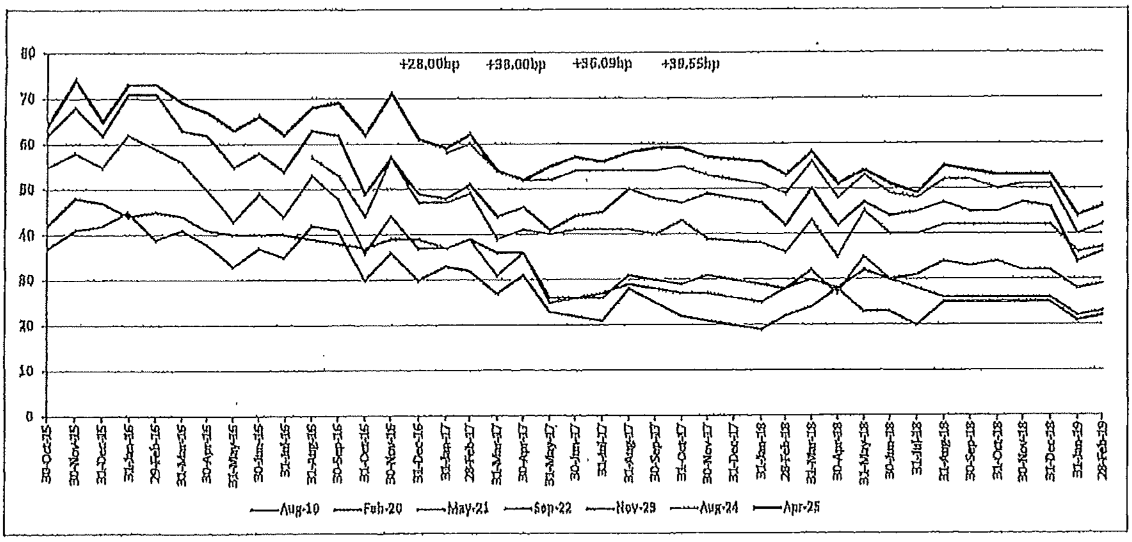
Forecast movements are highlighted.

3 yr swap	*Current*	*Mar '19*	*Jun '19*	*Sep '19*	*Dec '19*	*Mar '20*
SAFA	1.78	1.80	1.80	2.00	2.00	2.25
HomeStart		1.85	1.90	1.90	1.95	2.00

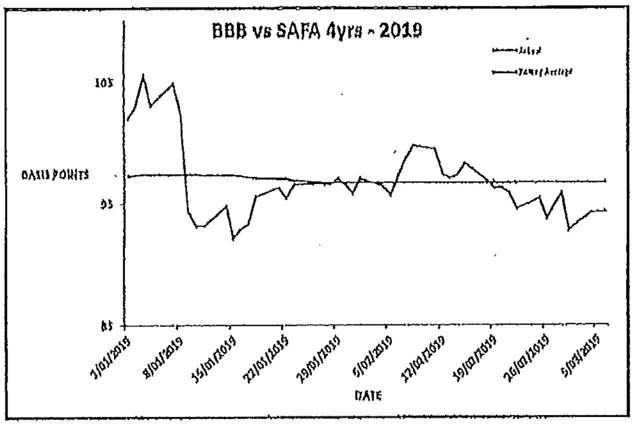
Changes to HomeStart's mortgage rates over the period

	Start	**Rate**	**Date**	**Rate**	**Date**	**Rate**
Variable*	1 Feb	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	22
24-Feb-20	3	17	23
20-May-21	0	23	28
22-Sep-22	17	31	37
20-Nov-23	16	30	36
15-Aug-24	23	36	42
16-Apr-25	27	40	46
20-Jul-26	36	50	56
20-Sep-27	40	52	58
24-May-28	46	50	62

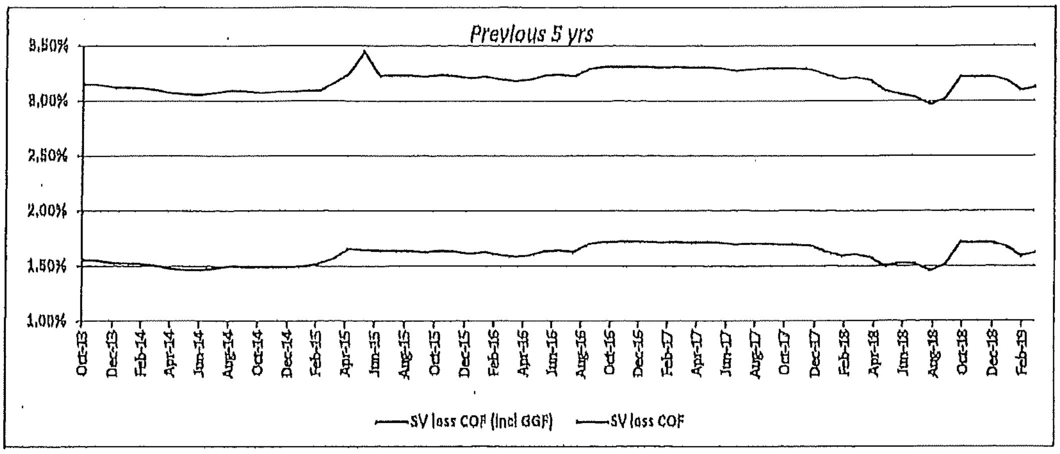


Average spreads by calendar year:

2016	2,033%
2017	1,360%
2018	0,991%
Q1 2019	0,960%
2019 YTD	0,968%

Cost of Funds

Net interest margins improved during February unwinding some of the increase in BBSW over December and January. Margins should improve further over the coming month with repricing at a lower BBSW of around 1.85%.



HomeStart Portfolio Summary

The reset period for loan assets was 16 days compared to 15 days for funding.

There were $7m of swaps settled during February to hedge fixed rate loans:
. $4m maturing in 1 year at 1.88%
. $2m maturing in 2 years at 1.83%
. $1m maturing in 3 years at 1.83%

$5.6m of the uncovered amount for fixed rate positions relates to projected maturities that are less than 1 year.

As at 28 February 2019			
Physical Deals	**Assets**	**Swaps**	**Variance**
Up to 1 year to repricing (variable rate)	1,945,870,976		n/a
Up to 1 year to repricing (fixed rate)	157,370,666	148,500,000	8,870,666
More than 1 year, up to 2 years	71,250,656	70,000,000	1,250,656
More than 2 years, up to 3 years	20,967,170	18,000,000	2,967,170
More than 3 years, up to 4 years	5,440,998	7,000,000	1,559,002
More than 4 years, up to 5 years	3,870,082	3,000,000	870,082
More than 5 years	9,910,740	10,000,000	89,260
Fixed rate total	**268,810,311**	**256,500,000**	**12,310,311**
Total	**2,214,681,287**		
Average rate	**5.0500%**	**2.3205%**	
Average reset days	**16.1**		

Physical Deals - Liabilities			
Working capital		341,556,540	
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		**1,988,556,540**	
Average rate		**2.2651%**	
Guarantee fee		**1.5073%**	
Short-term debt		916,556,540	**46.09%**
Long-term debt		1,072,000,000	
Average reset days		14.6	
Weighted average term to maturity		1.8	

HomeStart's Derivative Limit is currently $403.2m

Market Value Report

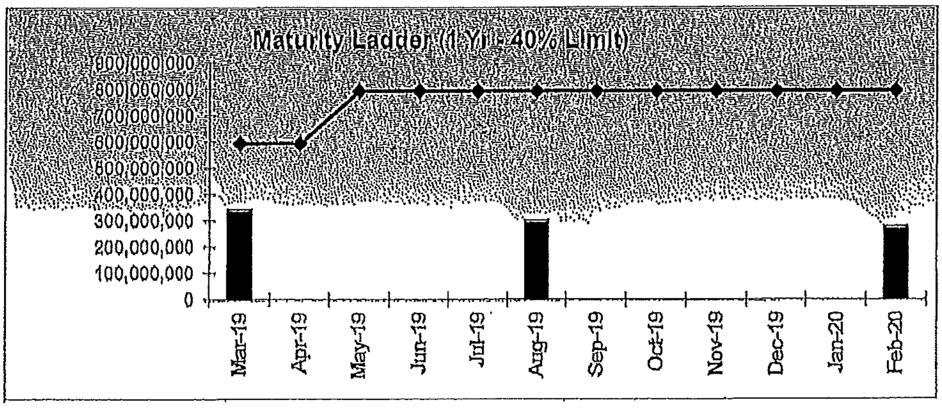
Traded margins decreased in February resulting in an increase in the market value of debt.

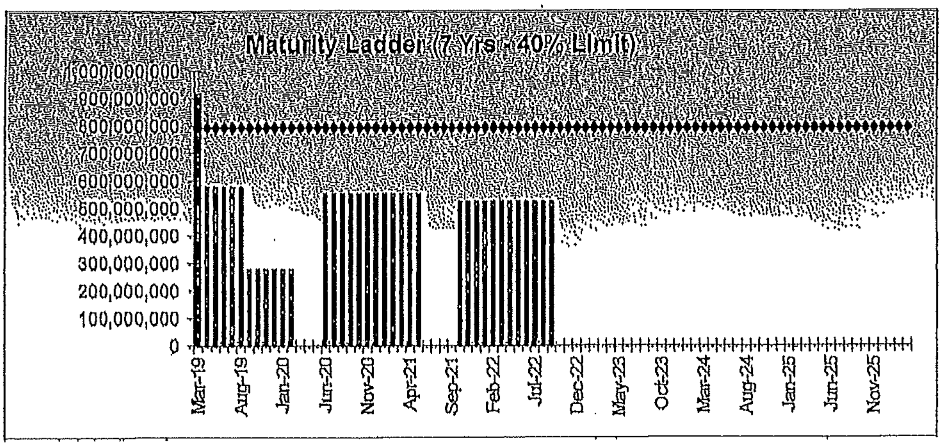
Historical Market Value of Physical Debt

Period	Book Value	Market Value	Profit/(Loss)	Asset Book Value
Feb-2018	1,818,963,143	1,823,558,979	-4,595,836	2,048,429,554
Mar-2018	1,836,934,849	1,838,311,145	-1,376,296	2,063,086,857
Apr-2018	1,850,921,897	1,854,278,540	-3,356,642	2,083,957,033
May-2018	1,868,621,880	1,870,879,021	-2,257,141	2,099,471,625
Jun-2018	1,899,547,643	1,901,876,014	-2,328,370	2,116,345,235
Jul-2018	1,912,663,884	1,915,002,466	-2,338,581	2,133,802,944
Aug-2018	1,926,412,923	1,928,533,357	-2,120,434	2,146,497,718
Sep-2018	1,936,089,638	1,937,698,923	-1,609,285	2,156,291,753
Oct-2018	1,948,553,245	1,950,337,714	-1,784,469	2,172,618,375
Nov-2018	1,959,013,018	1,961,140,117	-2,127,100	2,184,101,637
Dec-2018	1,979,665,378	1,981,335,809	-1,670,431	2,200,025,911
Jan-2019	1,982,886,595	1,986,081,704	-3,195,109	2,207,733,195
Feb-2019	1,990,240,947	1,994,090,486	-3,849,538	2,214,681,287

Refinancing Profile

Working capital increased by $7.7m to $341.5m at month-end. The level of debt refinancing over the next 12 months increased to 46.1% (above the 40% limit) with $275m of February 2020 debt now included as short-term.





Current level of short term debt is $916.6M or 46.1% of total borrowings

Bank Balance ($m)

	This month	Last month
Monthly Average	2.16	2.67
High	3.39	7.36
Low	1.01	1.35

WCF Balance ($m)

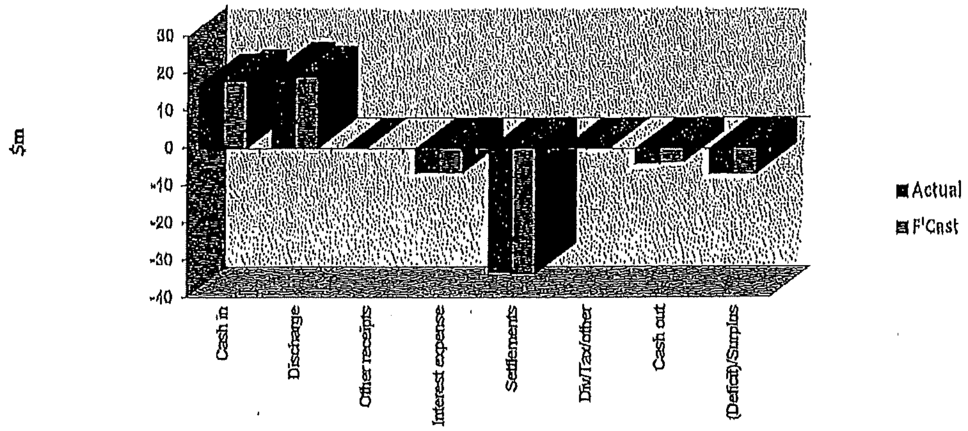
Monthly Average Rate	1.900%	1.900%
Monthly Average	337.74	328.11
High	343.66	337.22
Low	333.62	321.11

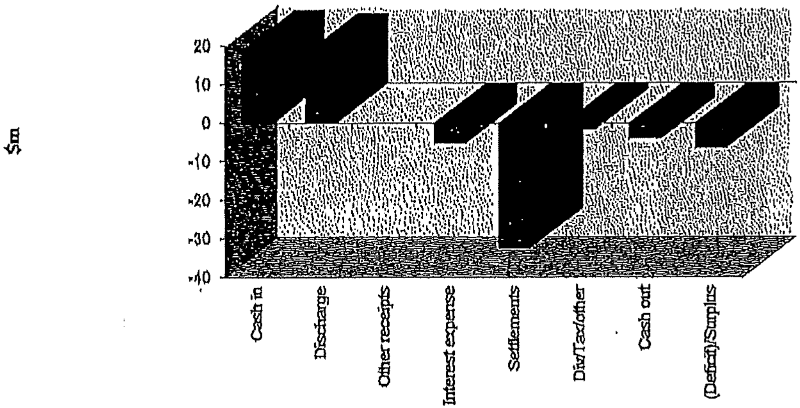
Borrowing limit ($m)	2197.0	2197.0
Actual borrowings ($m)	1988.6	1980.8
Unused limit ($m)	208.4	216.2

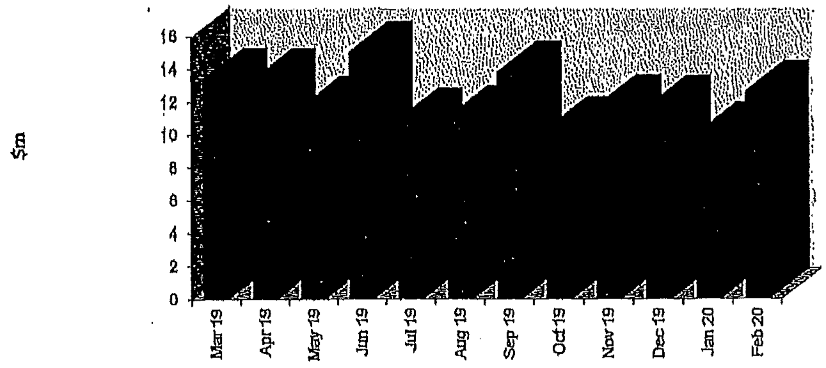
Cash Management Liquidity Graphs

The net funding requirement for the month was $6.7m which aligned with the forecast.

The bottom graph shows a net borrowing requirement of $146m over the next 12 months.


February Actual: Deficit of $6.7m vs Forecast Deficit of $6.7m


March F'Cast: Deficit $6.4m


Operating outlook forecast for the next 12 months: Funding deficit of $146.2m

2. Compliance

All policies were complied with as at 28 February 2019 apart from refinancing over the next 12 months which exceeded 40% from 24 February 2019. This is being reviewed by ALCO.

Category	Sub Category	Limit	Position	Policy
Borrowing limit		$2.197b	$1.989b	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	3.6 years	Treasury Policy 1
Borrowings	Short-term borrowings – maximum maturity	365 days	1 day	Treasury Policy 1
Derivatives	Value - % exposure	150%	95.4%	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	10.3yrs	Treasury Policy 1
Refinancing	Next 12 mths - maximum % debt	40%	46.1%	Treasury Policy 4
Refinancing	Rolling 12mths - maximum % debt	40%	28.9%	Treasury Policy 4
Refinancing	Current and next month	30%	17.2%	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	$342m	Treasury Policy 6

* Excludes FRN select lines & working capital

3. Standing Data

Average APRA Risk Weight (3yr Avg)	59.8%	Down from 60.6%
Capital Adequacy (3yr Avg)	12.8%	Down from 13.3%
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 February 2019.

David Hughes
Chief Financial Officer

ALCO committee paper

Government of South Australia HomeStart FINANCE

Agenda Item: 1903.4

Topic:	Asset Quality Reports - February 2019
From:	David Hughes
Date:	19/03/2019
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 December with comparisons to last year's result for the full year.

($m)	*Total LYR*	*Feb19*	*YTD*
Write-offs (gross)	$3.743	$0.105	$1.419
Actuary expected	$3.009	$0.227	$1.815
Actual to expected	124.4%	46.1%	78.2%

Credit losses over February were well below under the actuary expected and the average amount for the current year. Year-to-date losses are now 22% (17% last month) below the actuary level compared to 24% above for last year's result.

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[1] A 25% prudential margin has been added for settlements from April 2008 to June 2011

HomeStart Finance - Credit Loss Report

Report to: 28/02/2019

Month Settled	Original Credit Limi	Expected Total Loss	Loss Adj Factor	Expected Loss to Date	Loss Development	Actual Loss to Date	Actual % Expected	Losses for month	Expected Total Loss (PV)	Expected Future loss (PV)
Pre-Jul 2000	2,106,984,046		-			57,506		-		-
2000 Sub-Total	111,105,409	986,061	1.0000	986,061	100.00%	-	0.0%	-	757,377.74	-
2001 Sub-Total	180,548,492	1,602,368	1.0000	1,602,368	100.00%	41,886	2.6%	-	1,230,753.84	-
2002 Sub-Total	157,386,788	1,396,808	1.0000	1,396,808	100.00%	116,457	8.3%	-	1,072,866.30	-
2003 Sub-Total	192,969,879	1,732,456	1.0000	1,732,456	100.00%	161,863	9.3%	-	1,330,292.24	-
2004 Sub-Total	329,979,833	3,044,394	1.0000	3,035,873	99.72%	1,025,248	33.8%	-	2,336,133.19	9,916.86
2005 Sub-Total	353,060,096	4,039,070	1.4052	3,994,617	98.90%	1,416,054	35.4%	-	3,103,883.89	45,433.29
2006 Sub Total	263,419,403	3,310,862	1.6208	3,243,014	97.95%	2,055,843	63.4%	-	2,541,639	66,672
2007 Sub Total	217,679,680	2,543,710	1.6125	2,458,357	96.64%	3,006,099	122.3%	-	1,944,286	80,927
2008 Sub-Total	275,837,273	4,450,886	1.7588	4,202,962	94.43%	4,703,145	111.9%	-	2,824,600	190,209
2009 Sub-Total	464,817,719	6,825,282	1.5255	6,292,634	92.20%	7,761,139	123.3%	-	4,172,299	390,647
2010 Sub-Total	354,123,169	4,118,462	1.2647	3,638,705	88.35%	2,855,853	78.5%	-	2,549,802	351,797
2011 Sub-Total	327,693,849	3,095,153	1.4110	2,690,195	86.92%	1,345,344	50.0%	-	2,085,734	309,592
2012 Sub-Total	242,562,441	1,618,376	1.3358	1,354,879	83.72%	373,088	27.5%	-	1,292,255	253,377
2013 Sub-Total	274,205,837	1,999,518	1.1654	1,380,408	69.04%	149,825	10.9%	53,492	1,587,385	582,381
2014 Sub-Total	314,628,343	2,653,260	1.3059	1,447,812	54.57%	417,099	28.8%	-	2,104,308	1,116,866
2015 Sub-Total	307,568,553	2,736,301	1.3485	804,180	29.39%	51,372	6.4%	51,372	2,148,648	1,758,636
2016 Sub-Total	404,992,025	3,866,516	1.3367	296,981	7.68%	-	0.0%	-	2,974,461	3,108,431
2017 Sub-Total	445,405,241	4,382,246	1.3329	25,685	0.59%	-	0.0%	-	3,323,471	3,558,325
31-Jan-18	38,920,026	430,310	1.5472	301	0.07%	-	0.0%	-	326,537	342,864
28-Feb-18	37,387,305	398,644	1.4921	-	0.00%	-		-	302,508	316,345
31-Mar-18	44,167,703	444,339	1.4078	-	0.00%	-		-	337,183	351,175
30-Apr-18	46,462,452	507,837	1.5295	-	0.00%	-		-	385,369	399,732
31-May-18	42,655,653	478,504	1.5698	-	0.00%	-		-	363,110	375,115
30-Jun-18	50,974,687	534,962	1.4686	-	0.00%	-		-	405,952	417,672
31-Jul-18	39,452,770	278,947	0.9894	-	0.00%	-		-	211,677	216,904
31-Aug-18	40,830,880	375,428	1.2867	-	0.00%	-		-	284,891	290,742
30-Sep-18	35,003,938	288,900	1.1550	-	0.00%	-		-	219,230	222,824
31-Oct-18	38,690,101	317,475	1.1483	-	0.00%	-		-	240,913	243,870
30-Nov-18	39,220,087	301,186	1.0746	-	0.00%	-		-	228,553	230,419
31-Dec-18	38,297,005	291,916	1.0667	-	0.00%	-		-	221,518	222,421
31-Jan-19	41,289,803	315,301	1.0686	-	0.00%	-		-	239,264	239,264
28-Feb-19	32,875,305	293,255	1.2483	-	0.00%	-		-	222,534	222,534
2018 Sub-Total	566,227,716	5,257,003	1.2992	301	0.01%	-	0.0%		3,989,239	4,091,879
Total	$ 5,784,211,747	$ 59,658,732	1.3265	$ 40,584,294	68.03%	$ 25,537,819	62.9%	$104,863	$ 43,389,453	$ 15,909,889
% of Original Loans		1.0314%		0.7016%		0.4415%			0.7498%	0.2751%
Change for month	$ 32,875,305	$ 293,255		$ 227,665		$ 104,863	46.1%		$ 222,534	$ 67,093
Year to date	$ 305,659,889	$ 2,462,407		$ 1,814,857		$ 1,418,759	78.2%		$ 1,868,580	$ 648,234

Arrears activity

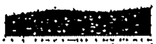
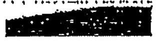
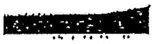
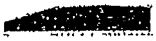
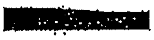
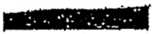
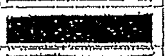
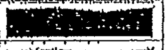
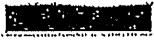
While arrears 30+ days increased in February, it was less than anticipated as the seasonal adjusted measure moved down. The 90+ days moving average maintained its level of 0.70% in February.

Arrears percentages in loan value terms

Arrears for February 2019

% Arrears by Value	2018 Nov	2018 Dec	2019 Jan	2019 Feb
30+ Days Arrears	1.87%	1.82%	2.02%	2.11%
30+ Days Moving Avg	1.56%	1.66%	1.80%	1.98%
% Loans w/Extra Payment	49.61%	8.92%	27.49%	0.00%
Seasonal Factor	1.0681	1.0073	0.9664	0.9150
30+ Day Season/ Adj	1.74%	1.84%	2.00%	1.93%
90+ Days Arrears	0.68%	0.73%	0.70%	0.66%
90+ Days Moving Avg	0.73%	0.72%	0.70%	0.70%

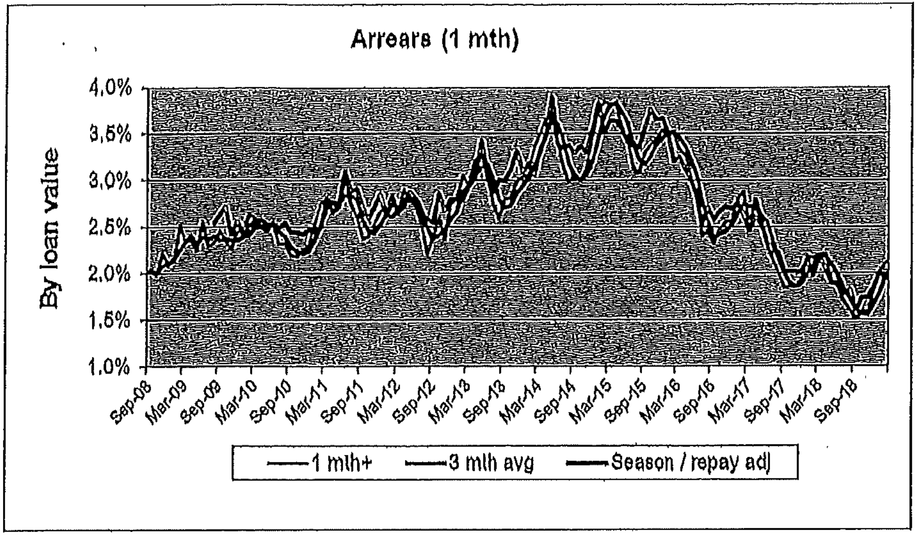
Shifts in number of loans by months of instalments in arrears

Months in Arrears	2018 Nov	2018 Dec	2019 Jan	2019 Feb	
0	282	363	325	383	
1	77	108	134	128	
2	37	38	39	54	
3	10	23	25	23	
4	7	5	7	10	
5	11	8	6	9	
6	6	6	5	5	
7	8	6	6	5	
8	3	7	2	3	
>8	37	36	38	37	
All	478	600	587	657	
>=3	82	91	89	92	
MP	22	23	20	23	
MP arr>=3	21	22	20	22	

Key movements for the last month:

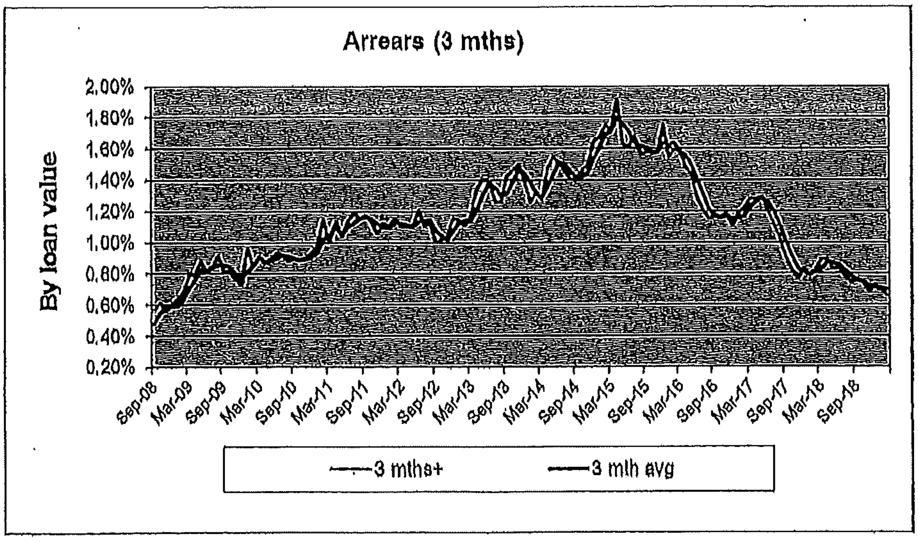
- Loans 1 month and over up by 12; total arrears numbers up by 70
- The number of loans 3 months and over in arrears up by 3.

There has been a build up of arrears under 1 month due to minimal extra payments in December and none in February. This is expected to reduce in the coming 3 months.



Extra fortnightly/weekly repayments

Month	*Days*	*%*	*3 mth roll*	*Seas factor*	
Dec-18	Sa,Su,Mo	5,9%	72%	1,0073	
Jan-19	Tu,We,Th	27,5%	83%	0,9664	
Feb-19	-	0,0%	33%	0,9150	
Mar-19	Fr,Sa,Su	27,5%	55%	0,9510	Projected
Apr-19	Mo,Tu	8,7%	36%	0,9274	
May-19	We,Th,Fr	56,6%	93%	0,9796	
Jun-19	Sa,Su	0,6%	66%	0,9771	
Jul-19	Mo,Tu,We	16,6%	74%	1,0302	
Aug-19	Th,Fr,Sa	43,9%	61%	1,0873	



Update on Graduate loan arrears

The update for this month has been covered in a separate paper.

Write-off and realisation reports

Write-offs ($) [2]	*LYR*	*Feb19*	*CYR*
Loans realised (no)	71	2	30
Write-offs ($) - gross	$3,742,881	$104,863	$1,418,759
Average gross	$52,717	$52,431	$47,292
Actuary projected w/offs [3]	$3,009,086	n/a	$2,714,766
Balance remaining	$0	n/a	$1,296,007
Remaining balance/mth	--	n/a	$324,002
Potential shortfalls - gross	$1,408,891	$1,366,440	n/a
Potential shortfall no.	24	21	n/a

There were a total of 2 realisations for the months February at a gross loss of $104,863. Three new potential shortfall was added for February at a gross shortfall totalling $160,162 with the highest amount for a country property located in Whyalla Norrie.

3. Recommendation

That the ALCO Committee notes the asset quality reports for February 2019.

David Hughes
Chief Financial Officer

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[2] Includes voluntary sales

[3] Gross for the full year - determined on the actuary projected loss levels plus prudential margins

Potential Shortfall In MIP for February 2019

HomeStart FINANCE

Potential Shortfall In MIP

Primary Loan No.	Original Loan Manager	Suburb	Post Code	Loan Start Date	Months of Provisioning	Shortfall Credit Paper	Loan Type	Provision Amount	MIP Reason
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	35	24/03/2016	Established Loan	$76,616.24	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	43	28/02/2017	Established Loan	$42,127.60	Abandoned
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	13	29/01/2018	Refinance Loan	$19,251.31	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	12	27/02/2018	Established Loan	$29,718.48	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	15	6/06/2018	Established Loan	$20,422.31	Abandoned
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	8	30/06/2018	Established Loan	$67,042.41	Abandoned
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	12	24/09/2018	Low Deposit Loan	$34,637.16	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	10	9/10/2018	Established Loan	$11,756.33	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	48	12/10/2018	Nunga Loan	$56,479.92	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	6	16/11/2018	Refinance Loan	$95,444.06	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	4	26/11/2018	Fixed Rate Loan	$34,071.30	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	4	12/12/2018	Graduate Loan	$56,118.80	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	49	9/01/2019	Nunga Loan	$146,936.63	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	19	10/01/2019	Low Deposit Loan	$131,989.27	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	10	15/01/2019	Low Deposit Loan	$50,879.90	Eviction
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	10	22/01/2019	Established Loan	$61,960.69	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	12	24/01/2019	Established Loan	$135,940.24	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	7	29/01/2019	Low Deposit Loan	$133,885.67	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	24	12/02/2019	Established Loan	$100,374.08	Eviction
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	0	20/02/2019	Equity Loan	$120.33	VSurrender
[redacted]	HomeStart Retail	[redacted]	[redacted]	[redacted]	16	25/02/2019	Low Deposit Loan	$59,667.14	Eviction
Total Loans	21			February	3	$160,161.55	Total Potential Shortfall	$1,365,439.87	
							Average Potential Shortfall	$ 65,020.95	
Eviction		11							
Voluntary Surrender		7					Average age of Portfolio	195 days	
Abandoned		3							

ALCO committee paper

Agenda Item: 1903.5

Topic:	Arrears Analysis
From:	David Hughes
Date:	19/03/2019
Status:	Noting

1. Background

An arrears analysis paper is scheduled in the reporting calendar for presentation to ALCO in March and September. This analysis focuses on current arrears levels with benchmark comparison across channel, product facility and loan purpose. Unless indicated otherwise, arrears are measured by the total loan balance of loans in arrears as a percentage of portfolio value.

2. Discussion

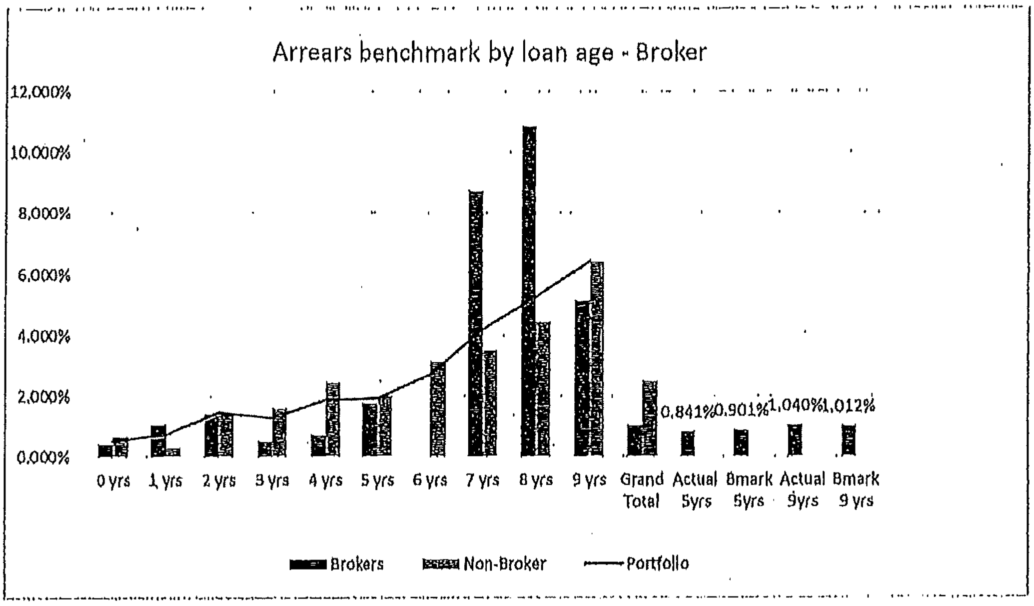
The analysis covers arrears by loan age as at February 2019 with benchmark calculations used to compare how the various portfolios are performing relative to a base portfolio. The arrears measure used is 1 month and over as this provides a broader indicator of loans with potential to default. This report covers comparison as follows:

- Channel – Broker sourced loans with a benchmark of non-broker sourced loans
- Product – Graduate, Low deposit and Nunga loans with the benchmark standard loans
- Loan purpose – Established, construction and refinance with the benchmark being all loans.

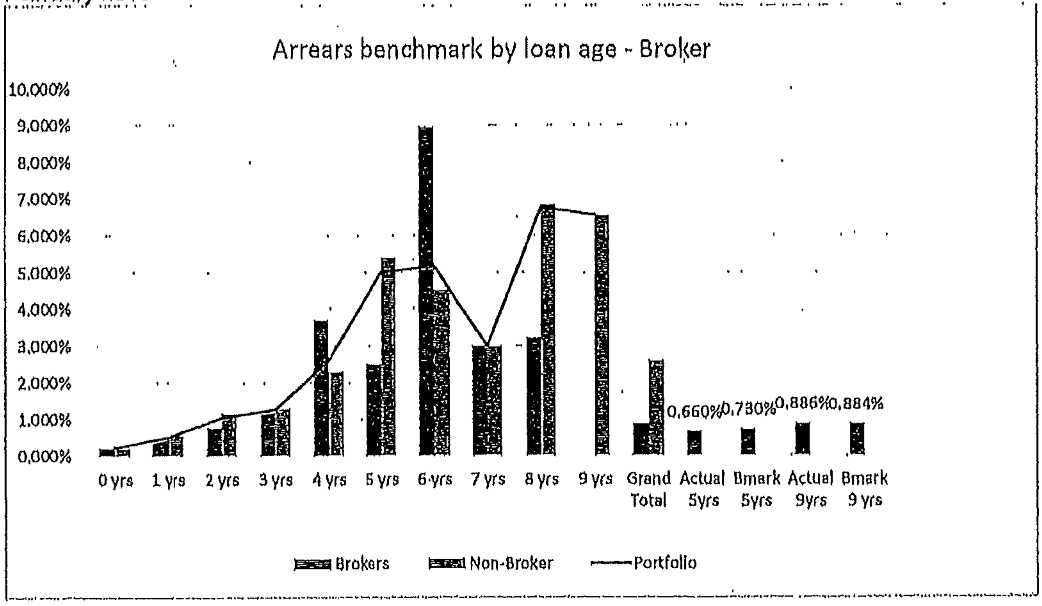
2.1 Broker channel loans

The following graphs shows a comparison of arrears for broker sourced loans using non-broker loans as the base portfolio for the latest month and 12 months ago. The maximum benchmark period selected is 9 years as this covers most of the period over which broker loans have been originated.

February 2019



February 2018



The elements of the graph are as follows:

- The bars show current arrears levels by category for loans by age in years to 9 years
- The blue line shows current overall arrears of all loans settled
- The grand total is the combined arrears for all loans in the age buckets up to age 9 years
- The four right-most columns compare the actual and benchmark figures for broker loans with the benchmark calculated by applying the non-broker arrears levels by loan age to the broker portfolio value distribution. The benchmark is therefore the overall arrears level that broker would be if they had mirrored the non-broker loans arrears by age.

Key observations from the results:

- The arrears position is compared using the benchmark figures rather than the overall arrears level. This removes the effect of the broker portfolio being skewed significantly to younger loans which experience lower arrears.
- The comparison of broker latest loan arrears to benchmarks show that they are preforming better for loans aged up to 5 but are slightly higher for 9 years.
- The following table compares the arrears rates with the last 6 monthly report and February 2018 to provide a comparison with the same month last year. While the younger loans up the 5 years have continued to perform better, the older loans up to 9 years has pushed the overall result slightly above the benchmarks in two of the observed arrears periods.

Benchmark comparisons	Feb-19		Aug-18		Feb-18	
	Broker	B'mark	Broker	B'mark	Broker	B'mark
5 year	0.841%	0.901%	0.547%	0.654%	0.660%	0.730%
9 year	1.040%	1.012%	0.731%	0.739%	0.886%	0.884%

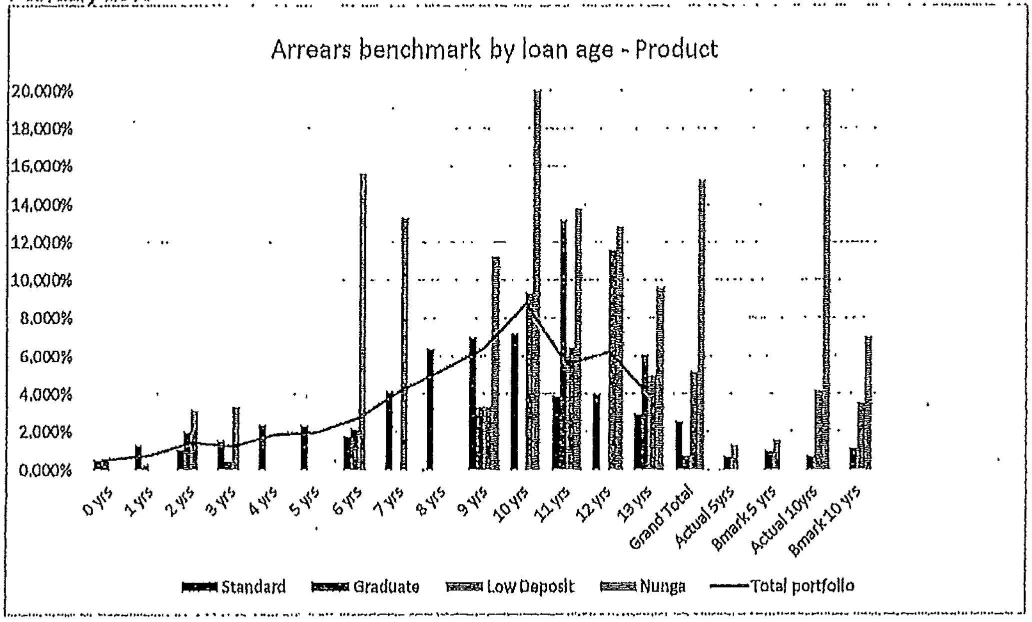
- Overall arrears levels have increased since August 2018 and with increases to both the Broker arrears and benchmarks. Comparing the graphs (with results at February last year) show the latest broker arrears have increased up to 2 years but are lower for 3-5 years
- The following table shows the Broker loan arrears by number with the shaded rows highlighting higher arrears for loans aged beyond 7 years. These are not significant as while they make up 29% of the arrears, they comprise only 4% of the broker portfolio.

Age	Settled #	Arrears #	% by #	% by $
0 to <1yr	1035	4	0.39%	0.44%
1 to <2yrs	795	6	0.75%	1.08%
2 to <3yrs	447	5	1.12%	1.43%
3 to <4yrs	228	1	0.44%	0.52%
4 to <5yrs	230	2	0.87%	0.75%
5 to <6yrs	105	2	1.90%	1.78%
6 to <7yrs	57	0	0.00%	0.00%
7 to <8yrs	56	3	5.36%	8.75%
8 to <9yrs	55	4	7.27%	10.89%
9 to <10yrs	18	1	5.56%	5.12%
Total	3026	28	0.93%	1.04%
Total highlighted	129	8		
% Total number	4%	29%		

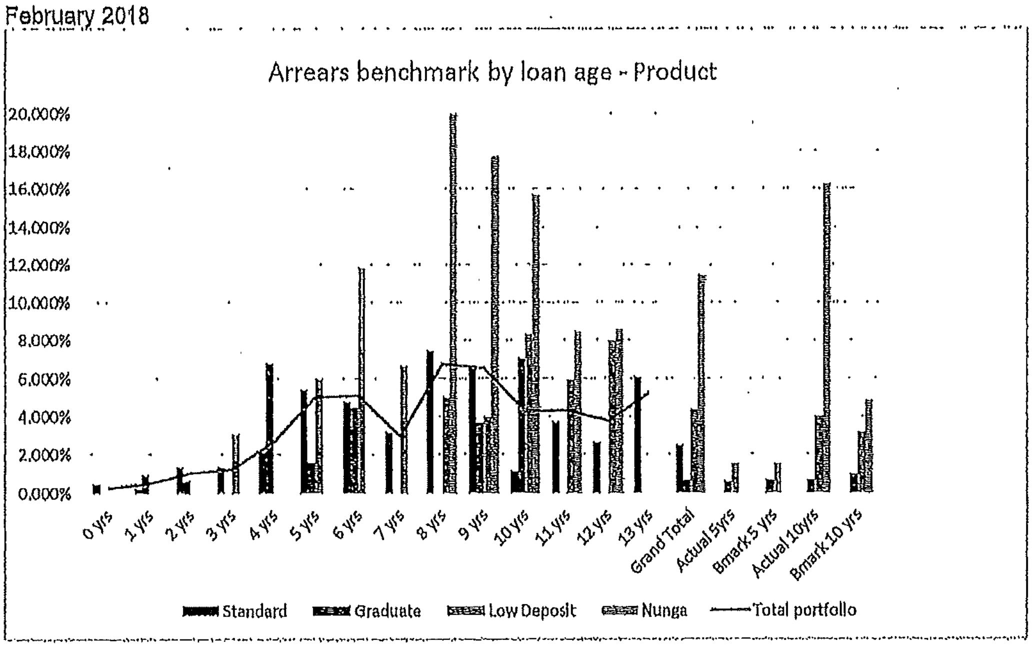
2.2 Product performance

The following graph shows a comparison of arrears levels by standard and high LVR products over 5 and 10 year benchmark periods. The 5 year period covers a period of settlements from 2012 when loans have tended to perform better. The total period of 13 years on the graph covers the time from when most of the high LVR products were introduced. Standard loans (up to 95% LVR) are used as the base portfolio for benchmark comparisons by product.

February 2019



February 2018



The tables below provide a comparison of the results and benchmarks for February 2019 and the prior year. The shaded rows show the arrears relative to the benchmarks with a figure under 100% indicating a favourable result.

Product arrears and benchmarks - Feb19

	Standard	Graduate	Low Dpst	Nunga
Overall	2.61%	0.76%	5.19%	15.28%
Actual 5yrs	1.31%	0.68%	1.28%	n/a
B'mark 5yrs	1.31%	0.98%	1.55%	n/a
Actual/B'mark 5y		70.0%	82.6%	
Actual 10yrs	2.30%	0.71%	4.19%	21.10%
B'mark 10yrs	2.30%	1.16%	3.51%	7.01%
Actual/B'mark 10y		61.5%	119.4%	301.2%

Product arrears and benchmarks - Feb18

	Standard	Graduate	Low Dpst	Nunga
Overall	2.46%	0.71%	4.37%	11.50%
Actual 5yrs	1.27%	0.61%	1.54%	n/a
B'mark 5yrs	1.27%	0.71%	1.52%	n/a
Actual/B'mark 5y		85.7%	101.5%	
Actual 10yrs	2.31%	0.71%	4.00%	16.28%
B'mark 10yrs	2.31%	1.00%	3.17%	4.89%
Actual/B'mark 10y		71.6%	126.3%	333.1%

Key observations from the results:

- Consistent with all previous results, Graduate loans have outperformed all products. The latest arrears at 70% and 62% of the standard loans benchmark for 5 and 10 years respectively is an improvement on the February 2018 result (86% and 72%). There was an increase in Graduate arrears in February 2018 which was from a very low base. Currently there are 16 Graduate loans in arrears of which 10 are in the 0 year[1] and 2 year age buckets (5 in each period). The less than 1 year arrears level is lower as there are a greater volume of loans settled in this period.
- Low deposit loans (LDL) arrears are 83% and 119% of the standard loans 5 and 10 years benchmarks which is favourable compared to the actuary projected loss multiple of around 180% for this portfolio. The much higher overall arrears rate for LDL reflects the poorer performance and greater volume of older loans. The higher observations for 6 and 7 years represent 3 and 2 loans in arrears respectively out of 29 loans in arrears for the product.
- The Nunga product has been discontinued so there are no loans settled in the last 5 years. Arrears for these loans are the highest at 301% of the 10 year benchmark (down from 333% at last review). Most of the arrears for this product relates to loans aged beyond 10 years.

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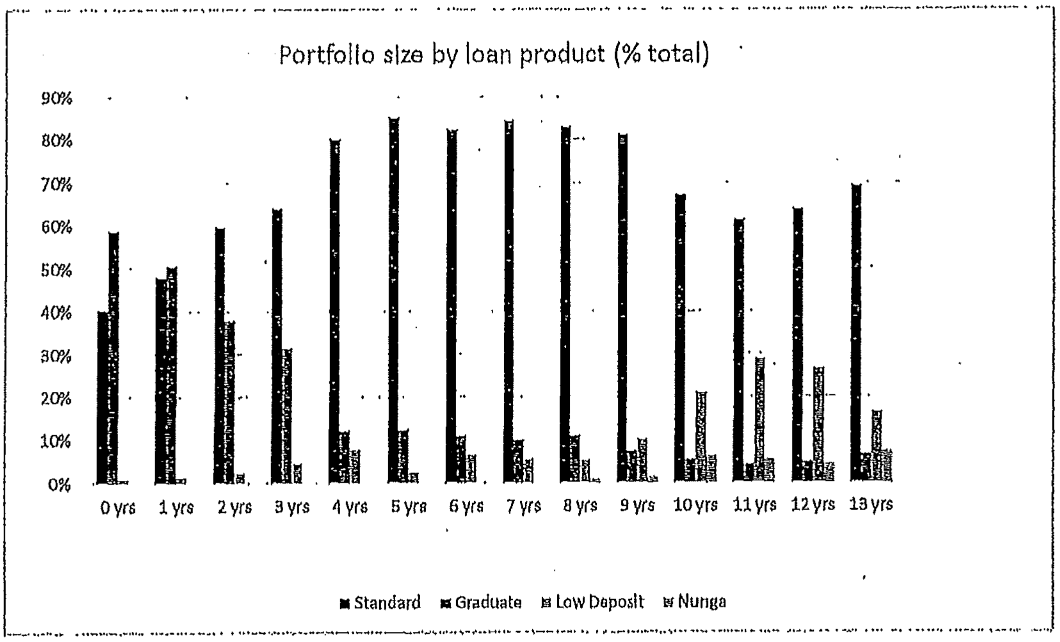
[1] Age less than 1 year

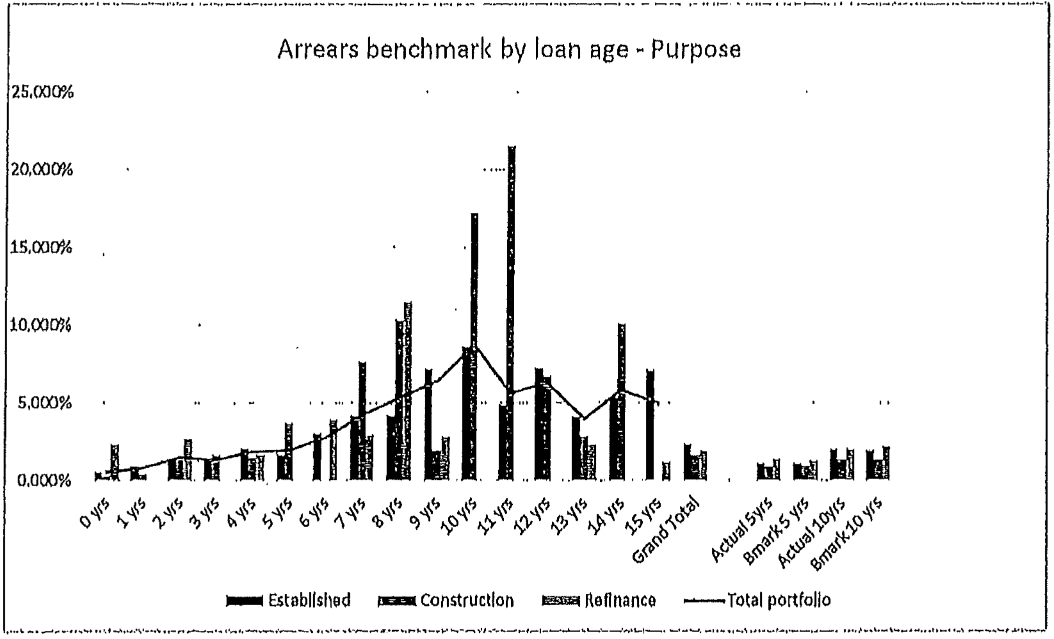
The following graph shows the changes in relative volume of settlements by loan age. Graduate loans have increased significantly over the last 3 years with offsetting reductions in standard and LDL. The skewing of the Graduate loans to more recent settlements accounts for the arrears benchmarks being lower than the other products as younger age loans inherently have lower arrears.



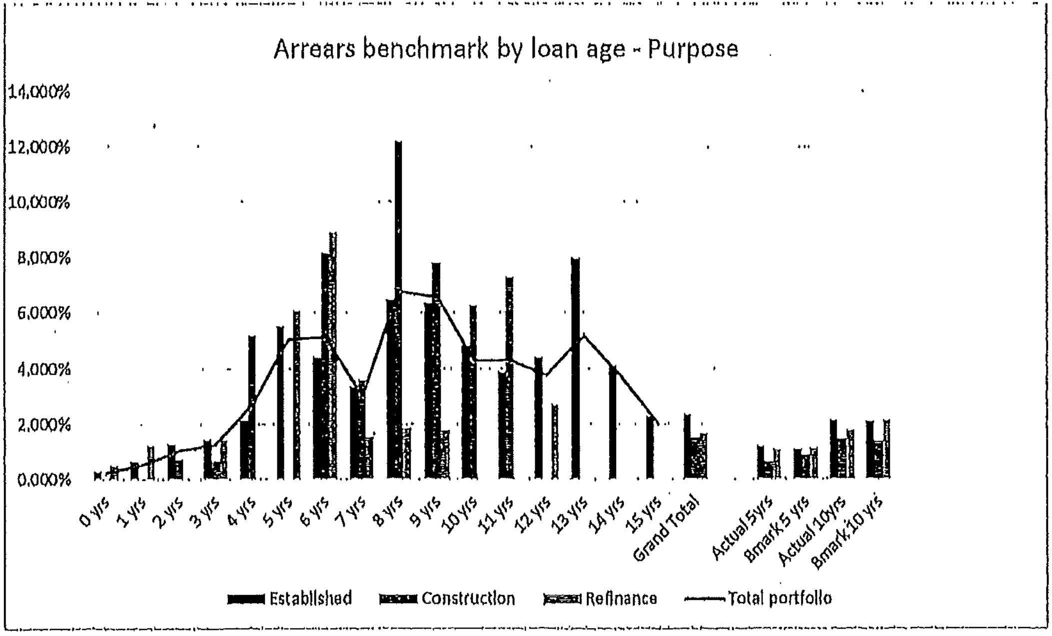
2.3 Loan purpose performance

The following analysis by loan purpose covers loans aged up to 15 years and includes the 5 and 10 year benchmark periods. The benchmark comparison is to all loans. Also, a graph is included showing the relative volume of the portfolio by purpose.

February 2019



February 2018



Loan purpose arrears and benchmarks – Feb19

	Established	Construction	Refinance	Total Portfolio
Overall	2.25%	1.62%	1.89%	2.13%
Actual 5yrs	1.06%	0.91%	1.33%	1.04%
B'mark 5yrs	1.05%	0.98%	1.20%	1.04%
Actual:B'mark 5y	101.1%	92.5%	110.4%	
Actual 10yrs	1.95%	1.32%	1.99%	1.83%
B'mark 10yrs	1.92%	1.32%	2.14%	1.83%
Actual:B'mark 10y	101.6%	99.8%	92.6%	

Loan purpose arrears and benchmarks - Feb18

	Established	Construction	Refinance	Total Portfolio
Overall	2.31%	1.53%	1.65%	2.16%
Actual 5yrs	1.16%	0.65%	1.07%	1.05%
B'mark 5yrs	1.08%	0.90%	1.12%	1.05%
Actual:B'mark 5y	108.0%	73.1%	96.4%	
Actual 10yrs	2.11%	1.48%	1.76%	1.98%
B'mark 10yrs	2.08%	1.38%	2.13%	1.98%
Actual:B'mark 10y	101.3%	107.9%	82.7%	

Key observations from the results:

- Established loan arrears remained slightly higher than the others with the 5 year result at 101% of the overall benchmark (down from 108% at the February) [2]
- Construction loans have performed better for the 5 year benchmark although the latest results are not as good as a year ago. Construction loan settlements have increased in recent years with higher volumes in age groups up to 5 years.
- Refinance loans make up a small percentage of settlements and have previously performed better than the other groups. The high observation for year 0 is 1 loan with a higher than average loan value and year 2 has 4 loans, with total refinance arrears numbering 16 loans.
- Overall, there has been a shift since last year with the higher arrears levels now more concentrated in older loans.

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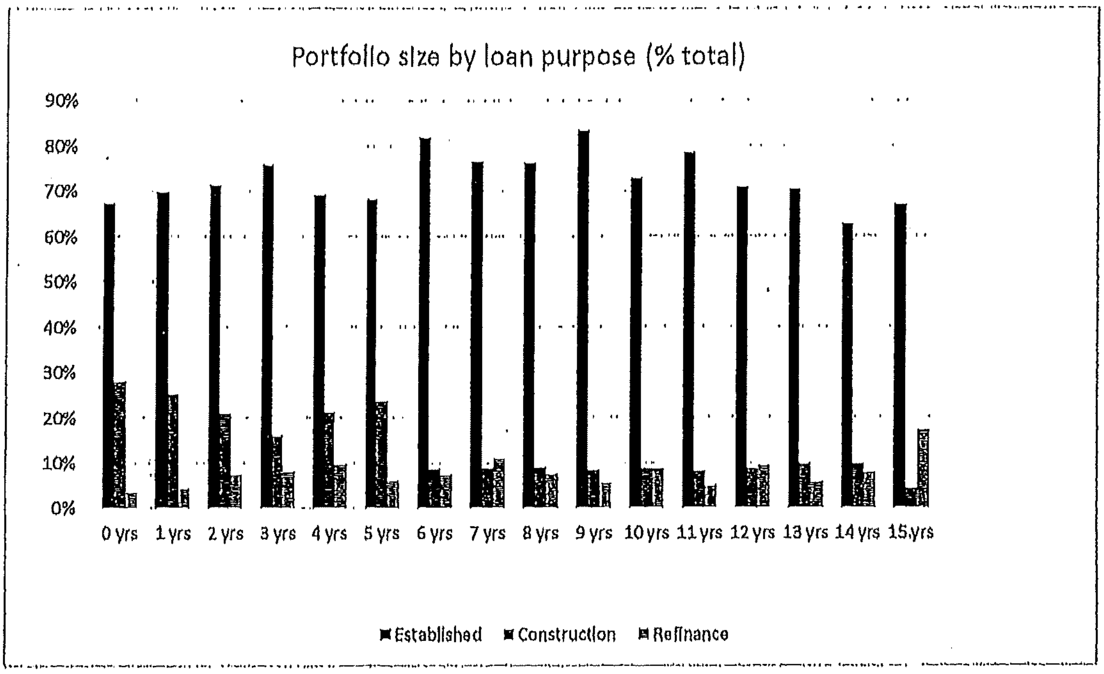
[2] Established loans are not expected vary much from benchmark as they make up the bulk of the portfolio


Portfolio size by loan purpose (% total)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0 yrs
1 yrs
2 yrs
3 yrs
4 yrs
5 yrs
6 yrs
7 yrs
8 yrs
9 yrs
10 yrs
11 yrs
12 yrs
13 yrs
14 yrs
15 yrs
Established
Construction
Refinance

2.4 Conclusions

The analysis has highlighted the following points:

- Broker loans are showing better arrears outcomes compared to the 5 year benchmarks but some results for older loans have been much higher, although these are not significant as they are on low volumes.
- The introduction of high LVR lending from late 2003 has not had an adverse effect on overall arrears. HomeStart has tighter lending conditions including credit score criteria for Graduate and Low Deposit loans. While arrears are higher for Low Deposit and Nunga, this has been more than offset by lower arrears for Graduate loans. Graduate loan arrears increased early in 2018 from a very low base but still remain well within the benchmarks. HomeStart receives additional revenues from interest premiums to cover additional credit risk for Low Deposit and Nunga loans.
- For loans by purpose, there is little variation between the groups and construction loans which have experienced an increase in volume in recent years are performing better over the 5 year benchmark.

Arrears levels had reduced significantly over 2017 and 2018 although there have been increases in recent months, at least some of which is attributed to seasonal factors. The higher volume of Graduate and construction loans in new lending has also supported an improvement in quality of the portfolio since these loans are outperforming the benchmarks.

There have been some higher volume of arrears in the younger age groups but these generally involve a small number of loans. These positions are being monitored monthly and updates have been reported in ALCO asset quality reports.

3. Recommendation

That the ALCO Committee notes the results of arrears analysis and comparisons of arrears levels to benchmarks.

David Hughes
Chief Financial Officer

ALCO committee paper

Government of South Australia
HomeStart FINANCE

Agenda Item: 1903.6

Topic:	Stress Testing (Loan by Loan) as at December 2018
From:	David Hughes
Date:	19/03/2019
Status:	Noting

1. Background

An outcome of the previous Moelis review was a recommendation to perform stress tests on a "loan by loan" cashflow model basis. The first of these was presented to Board in February 2018 at which time, we committed to provide updates of this analysis twice per year, using the December and June portfolio balances.

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 capitalisation and LVR greater than 100%.

Stress testing on future settled products is done as part of the half yearly review and re-setting of our loan value multiplier, which tests susceptibility to movements in these variables for future settlements. This report deals with a hindsight stress test on the existing portfolio at an individual loan level.

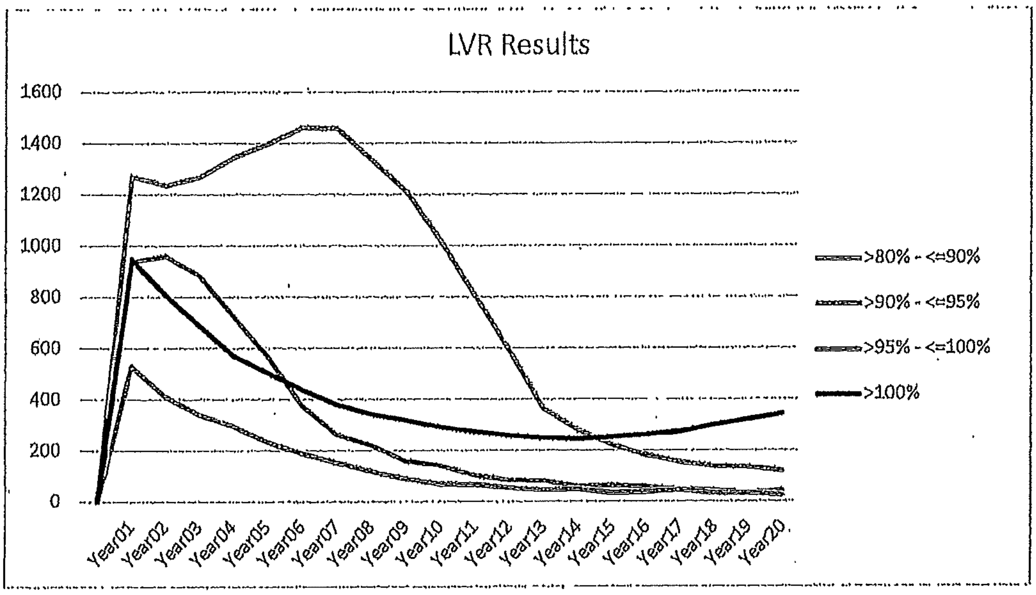
2. Discussion

2.1 Single Point in Time

We have previously provided this analysis, in tabular form, at a single point in time however this was difficult to read and had limited value. We have modified these to only provide a graphical view and only movements in LVR bands with a particular focus on greater than 100%.

We again assumed a combination of interest rates up by 2% (to 7.39% from year 1), CPI of 1.8% pa and property value increases of 1.0% pa. This will always create an increase in LVR for the first few years as the CPI rate (and hence the increase in instalments, applied annually) is significantly below the increase in interest being capitalised to the loan balance.

The following graph indicates the numbers of loans in each LVR band, using the existing portfolio as at 31 December 2018, and how these numbers vary over the estimated 20 year loan life.



The results indicate that all loans will pay down in the manner designed, that is, we see some increase in the loans in the greater than 80% LVR band, which is partly due to loans that are in the higher than 90% LVR moving down through into 80 to 90% but then paying down over the life of the loan.

Loans in the 90 to 95% band and 95 to 100% all pay down progressively as expected.

Loans greater than 100% pay down to year 14 however there is a slight increase in numbers of loans greater than 100% in the years 15 and beyond. This due in part to the VG value growth assumption being below the interest rate assumption, however we will continue to analyse this before the next report is presented.

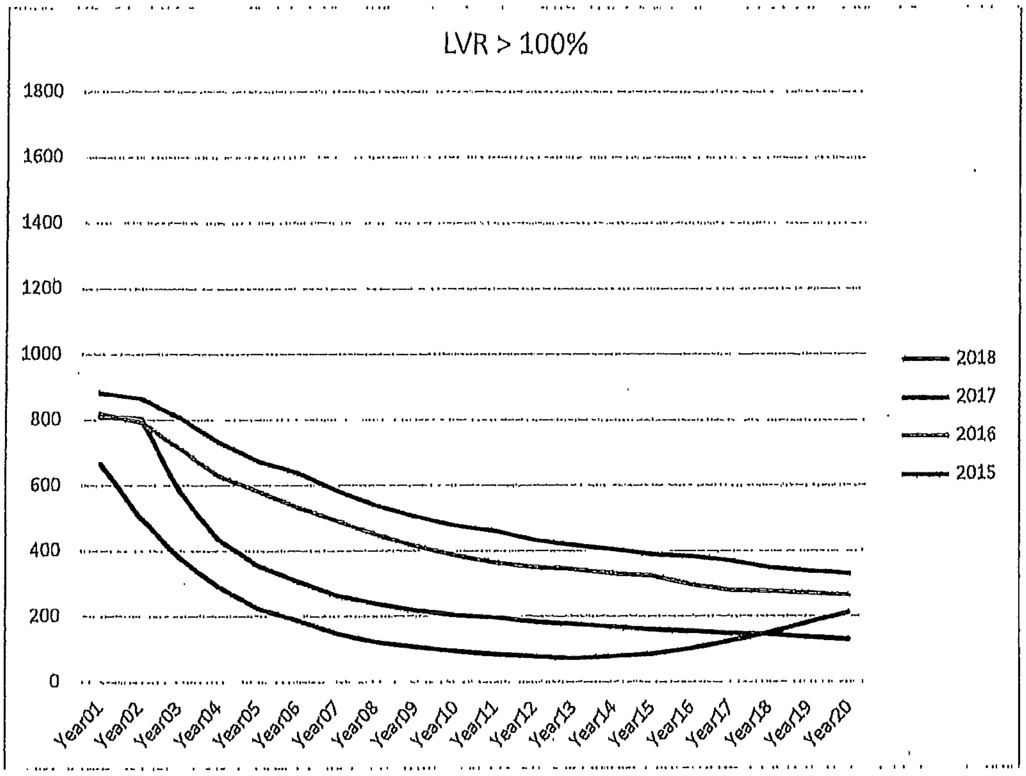
2.2 Multiple years

As outlined last month, we believe the more relevant analysis is how the portfolio changes over time and any specific issues that become evident. This then supplements the analysis at a point in time, which is designed to assess the current portfolio.

We have modified the reporting to be able to compare the portfolio at various points in time, and provided the analysis graphically.

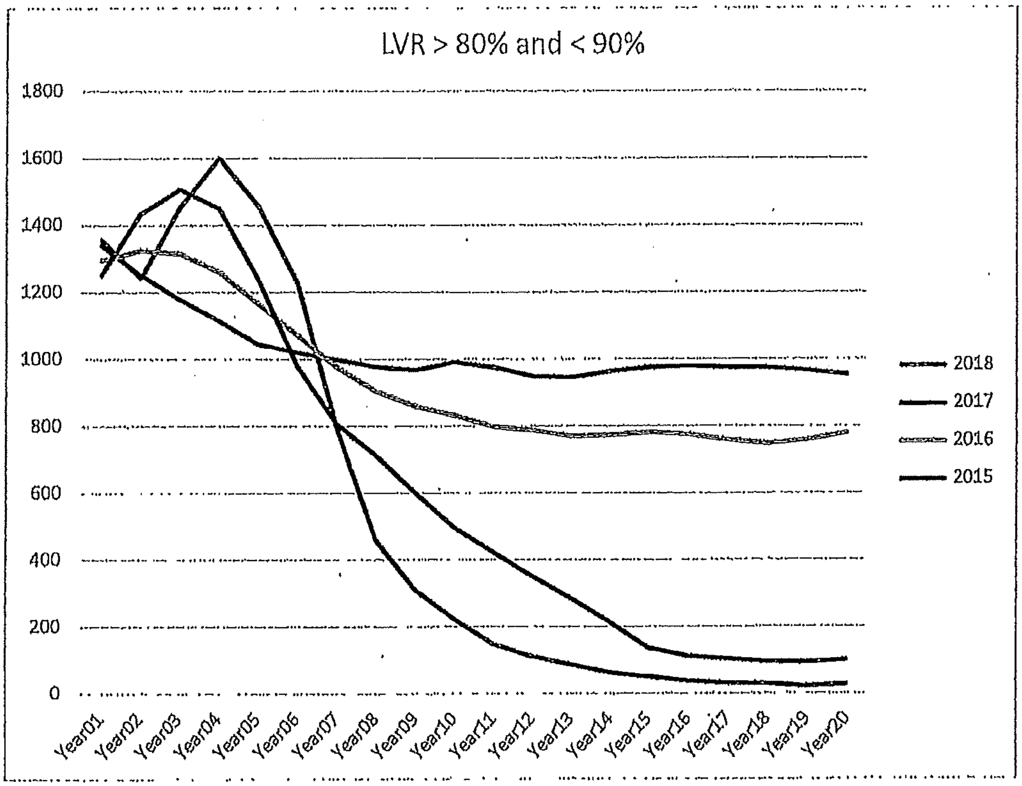
For this analysis, we have also stress tested interest rates up 2.0% (to 7.39%), CPI of 1.80% pa and property price increases at 1.0% pa.

The results for the current portfolio indicate that the number of loans at greater than 100% LVR do not increase and those that are over 100% correct inside the loan term. This is in contrast to the position as at December 2015 when there were a number of loans (over 100) that continued to capitalise. These loans were predominantly low deposit and Nunga, most of which have now repaid or discharged. The percentage of Graduate loans compared to non-graduate loans is continuing to improve the credit quality of the overall portfolio.



We also considered the cohort in the 80 to 90% LVR, using the same stress settings, and found the current portfolio behaves very well. Initial capitalisation which occurs in the early years starts to correct from year 5 and is almost all corrected by year 20.

This compares to the position in 2016 and 2017 when, whilst still correcting, does so at a much slower rate. The current stability in interest rates compared to CPI is also a contributing factor.



3. Recommendation

That the ALCO Committee notes the results of the stress testing of the portfolio as at 31 December 2018 and that we will redo the analysis using June balances and present to ALCO in August.

David Hughes
Chief Financial Officer

GDP/ State Final Demand December quarter 2018

SUMMARY

In the December quarter 2018:

SEASONALLY ADJUSTED

- GDP rose by 0.2% in the December quarter following a rise of 0.3% in the September quarter and was 2.3% higher than a year earlier.
- South Australian State Final Demand (SFD) rose 0.8% and was 2.4% higher than a year earlier, in real seasonally adjusted terms.
- Australian Real Gross Domestic Income, which indicates the purchasing power of total incomes generated by Australian production, increased by 0.9% in seasonally adjusted terms.

TREND

- Australian Gross Domestic Product (GDP) rose 0.3% in the quarter and was 2.3% higher than a year earlier in real trend terms.
- South Australian State Final Demand (SFD) rose 0.5% and was 2.5% higher than a year earlier in real trend terms.
- Australian Real Gross Domestic Income, which indicates the purchasing power of total incomes generated by Australian production, increased by 0.5% in trend terms.

FURTHER ANALYSIS

SEASONALLY ADJUSTED

Australia's non-farm GDP rose by 0.3% in the December quarter to be 2.5% higher than a year ago (see Chart 2).

Farm GDP fell by 4.0% in the December quarter to be 5.8% lower than a year ago.

Australian Domestic Final Demand (DFD) rose by 0.3% in the December quarter 2018 to be 2.5% higher than a year ago (see Chart 3).

Nationally, government consumption rose by 1.8% in the December quarter, new business investment rose by 0.7%, household consumption spending rose by 0.4% and public investment rose by 0.3%, but dwelling investment fell by 3.4%.

CHART 1: AUSTRALIAN GDP GROWTH
(REAL, SEASONALLY ADJUSTED)

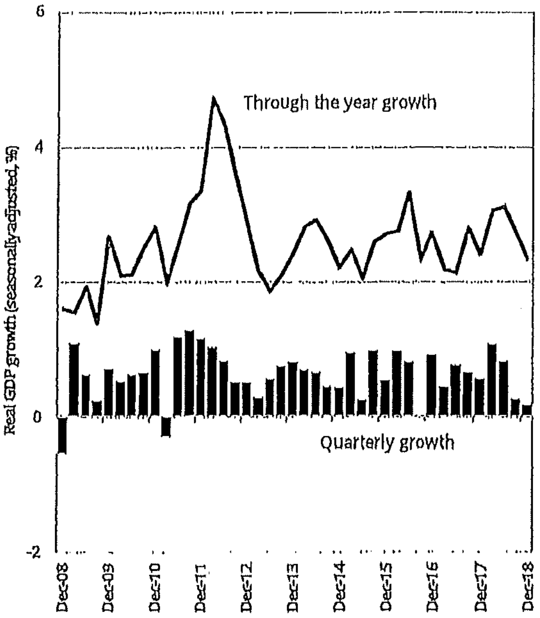
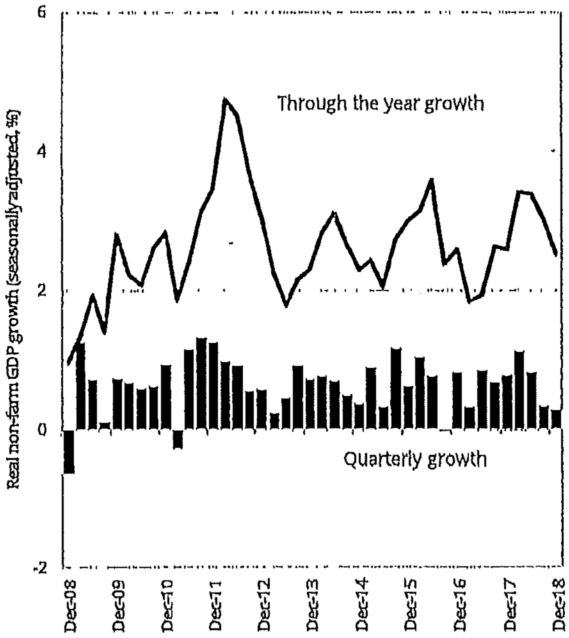


CHART 2: AUSTRALIAN NON-FARM GDP GROWTH
(REAL, SEASONALLY ADJUSTED)



Commercial and Economics Branch
6 March 2019

Government of South Australia
Department of Treasury
and Finance

CHART 3: AUSTRALIAN DFD GROWTH (REAL, SEASONALLY ADJUSTED)

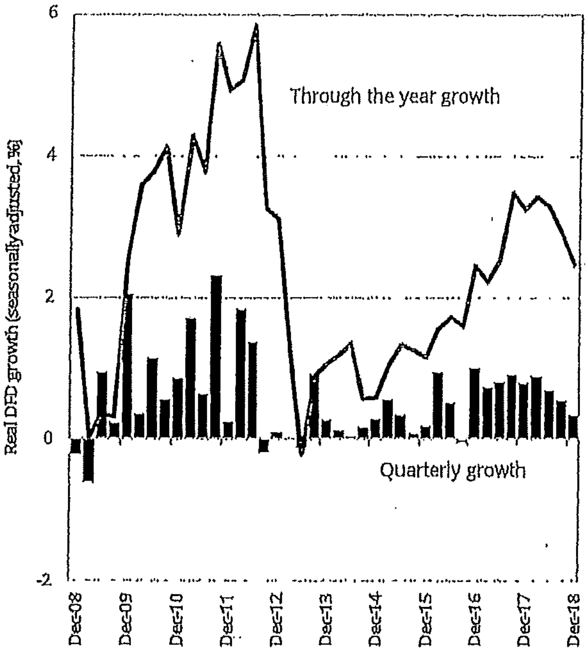
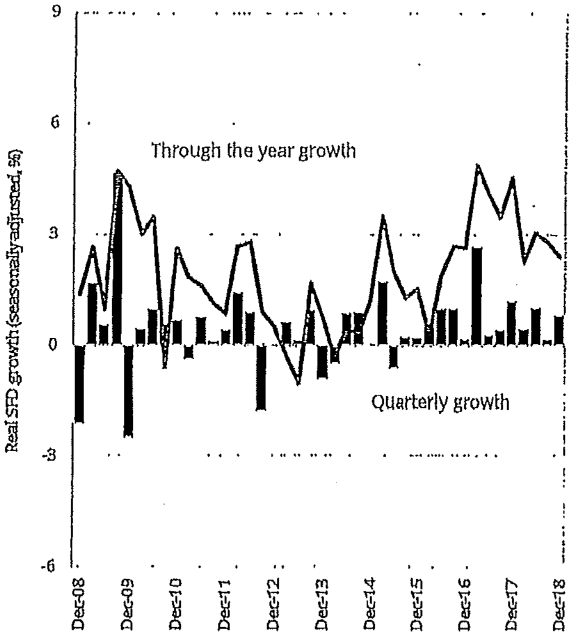


CHART 4: SOUTH AUSTRALIAN SFD GROWTH (REAL, SEASONALLY ADJUSTED)



South Australian State Final Demand (SFD) rose by 0.8% during the December quarter 2018, following an upwardly revised 0.2% increase in the September quarter—see Chart 4.

In South Australia, during the December quarter, spending growth was recorded in public sector capital investment (up 14%), dwelling investment (up 2.7%), public sector consumption (up 0.6%) and household consumption (up 0.3%). A decline in spending was recorded in new private business investment (down 1.5%).

Among the states, SFD rose in the December quarter in Queensland (up 0.9%), followed by South Australia (up 0.8%), Victoria and Tasmania (both up 0.6%), but fell in New South Wales (down 0.1%) and Western Australia (down 0.3%).

Table 1: State Final Demand - Real, seasonally adjusted

	Dec qtr 18 vs Sep qtr 18 (% change)	Dec qtr 18 vs Dec qtr 17 (% change)
NSW	-0.1	2.6
VIC	0.6	5.2
QLD	0.9	2.1
SA	**0.8**	**2.4**
WA	-0.3	-1.6
TAS	0.6	5.1
AUS (DFD)	**0.3**	**2.5**

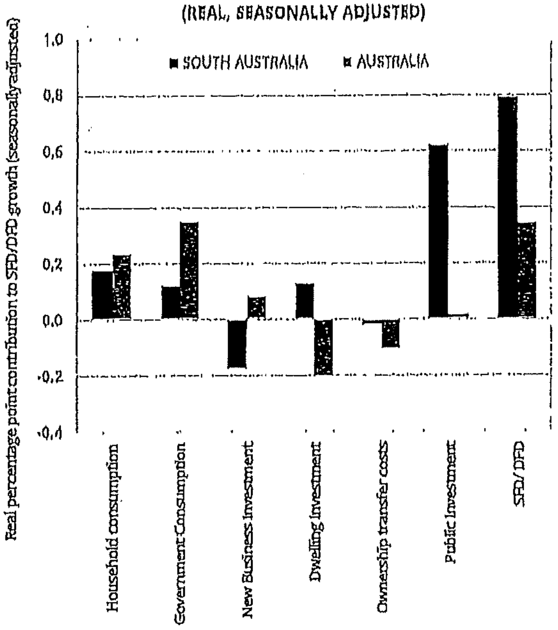
Table 2: Expenditure Components of SFD/DFD and GDP – Real, Seasonally adjusted

	Dec qtr 18 vs Sep qtr 18 (% change)		Dec qtr 18 vs Dec qtr 17 (% change)	
	SA	AUS	SA	AUS
Household Consumption	0,3	0,4	1,3	2,0
Government Consumption	0,6	1,8	2,6	5,6
New Business Investment	-1,5	0,7	4,0	0,2
Dwelling Investment	2,7	3,4	7,3	2,5
Ownership Transfer Costs	-1,3	6,6	-3,2	11,5
Public Investment	13,7	0,9	8,3	4,7
SFD/ DFD	0,8	0,8	2,4	2,5
Exports*	np	0,7	np	4,7
Imports*	np	0,1	np	1,5
GDP	np	0,2	np	2,3

*National trade data is for goods and services. State data is no longer published in this release.

Next release of ABS Cat No 5206.0 is 5 June 2019

CHART 5: QUARTERLY PERCENTAGE POINT CONTRIBUTIONS TO SFD/DFD GROWTH - (REAL, SEASONALLY ADJUSTED)



Explanatory Notes

Gross Domestic Product (GDP) is the total market value of goods and services produced in Australia within a given period. The state by state breakdown of this figure is Gross State Product (GSP), however estimates of GSP growth are only published annually.

The main quarterly measure of state economic activity is State Final Demand (SFD), which is an estimate of the level of spending in the local economy by private and public sectors. Spending is reported on the consumption of goods and services, and capital investment.

Spending (DFD/SFD) is not the same as production (GDP/GSP). DFD/SFD for example, includes spending by households and businesses on imports, which are not produced (and do not create jobs) in Australia/South Australia. DFD/SFD does not include exports, which do get produced and create jobs in the nation/State.

Real Gross Domestic Income measures the purchasing power of the production (GDP) occurring in Australia. It takes into account the impacts of changes in Australia's terms of trade. GDP only measures the volume of goods and services produced, mined and farmed in Australia. If prices are rising for our exports this will lift our incomes. Real GDP does not measure this, but real GDI does.