

HOME LOAN PORTFOLIO

Objectives

The Home Loan Portfolio is responsible for the administration of home loans, which were granted by the Commissioner for Housing to assist low income households in achieving home ownership. All ACT home buyer lending ceased in 1996.

The Portfolio's objective is to administer the remaining home loans effectively and efficiently.

2005-06 Highlights

Strategic and operational issues to be pursued in 2005-06 include:

- improving internal management policies for the Home Loan Portfolio to reduce exposure to bad debts; and
- reviewing insurance coverage for all home loans.

Output Classes

	Total Cost	
	2004-05 Est. Outcome \$'000	2005-06 Budget \$'000
Output Class 1 Home Loan Portfolio	4 992	4 899
Output 1.1 Home Loan Portfolio	4 992	4 899

Output Description

Administer the Home Loan Portfolio in compliance with the loan and deferment agreements between the Commissioner for ACT Housing and the borrowers.

In 2005-06 the Home Loan Portfolio will:

- manage between 576 (2004-05 estimated outcome) and 492 (30 June 2006) loans;
- comply with the Commonwealth loan repayment schedule; and
- administer services provided in line with completion dates and agreed turnaround times.

Accountability Indicators

	2004-05 Targets	2004-05 Est. Outcome	2005-06 Target
1.1 Home Loan Portfolio			
a. Increase in net assets for the financial year.	>\$2.5m	>\$1.9m	\$2.5m
b. Administration cost per home loan managed.	n/a	n/a	\$816

Budgeted Financial Results

Section 31 of the *Financial Management Act 1996* (FMA) advises that Chief Executives are responsible for achievement of financial results. For the purpose of Section 31 of the FMA, key budgeted results are specified in the Budget papers to improve accountability. An outcome of the increased accountability will be the requirement for Chief Executives to explain material variances from specified budget results.

In accordance with Section 31 of the FMA, following are the key budgeted results for the Home Loan Portfolio:

- **Operating result (\$2.784m surplus)** – this measure focuses on the financial performance of the Portfolio, and will measure the Portfolio’s success in managing expenditure levels within the Portfolio’s revenue limitations.
- **Current Ratio (3.8:1)** – the current ratio is an indication of the ability to fund short-term liabilities from short-term assets. The Home Loan Portfolio has sufficient funds to cover its short-term liabilities in the next financial year.
- **Debt Ratio (0.85:1)** – the debt ratio is a measure of the relationship between total liabilities and total assets. The lower the ratio, the greater the asset protection. The ratio marginally improves across the forward years to 0.78:1 by 2008-09.
- **Repayment of Borrowings Ratio (0.75:1)** – the purpose of the ratio is to assess the entity’s ability to generate cash from operating activities for the purpose of covering its long term debt commitments in the current year. The ratio is calculated as repayment of borrowings divided by cash from operating activities. The Home Loan Portfolio has the ability to generate cash to cover its long-term debt commitments in the current and the forward years.

Home Loan Portfolio Operating Statement

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
	Income						
	Revenue						
7 745	Interest	6 926	7 683	11	7 727	7 767	7 803
7 745	Total Revenue	6 926	7 683	11	7 727	7 767	7 803
	Gains						
0	Total Gains	0	0	-	0	0	0
7 745	Total Income	6 926	7 683	11	7 727	7 767	7 803
	Expenses						
132	Employee Expenses	134	137	2	140	144	147
35	Superannuation Expenses	19	19	-	20	20	21
210	Supplies and Services	243	245	1	242	244	246
4 596	Borrowing Costs	4 596	4 498	-2	4 406	4 310	4 211
4 973	Total Ordinary Expenses	4 992	4 899	-2	4 808	4 718	4 625
2 772	Operating Result	1 934	2 784	44	2 919	3 049	3 178

Home Loan Portfolio Balance Sheet

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
Current Assets							
518	Cash	796	522	-34	443	494	674
1 720	Receivables	1 337	1 221	-9	1 081	970	882
13 000	Investments	6 500	6 500	-	6 500	6 500	6 500
15 238	Total Current Assets	8 633	8 243	-5	8 024	7 964	8 056
Non Current Assets							
17 555	Receivables	11 444	9 506	-17	7 818	6 343	5 049
81 639	Investments	93 939	97 023	3	99 731	102 100	104 164
99 194	Total Non Current Assets	105 383	106 529	1	107 549	108 443	109 213
114 432	TOTAL ASSETS	114 016	114 772	1	115 573	116 407	117 269
Current Liabilities							
17	Payables	21	21	-	21	22	21
2 033	Interest Bearing Liabilities	2 033	2 124	4	2 220	2 320	2 424
45	Employee Benefits	40	43	8	46	47	49
2 095	Total Current Liabilities	2 094	2 188	4	2 287	2 389	2 494
Non Current Liabilities							
98 063	Interest Bearing Liabilities	97 913	95 789	-2	93 569	91 249	88 825
48	Employee Benefits	52	54	4	57	60	63
98 111	Total Non Current Liabilities	97 965	95 843	-2	93 626	91 309	88 888
100 206	TOTAL LIABILITIES	100 059	98 031	-2	95 913	93 698	91 382
14 226	NET ASSETS	13 957	16 741	20	19 660	22 709	25 887
REPRESENTED BY FUNDS EMPLOYED							
14 226	Accumulated Funds	13 957	16 741	20	19 660	22 709	25 887
14 226	TOTAL FUNDS EMPLOYED	13 957	16 741	20	19 660	22 709	25 887

Home Loan Portfolio Cash Flow Statement

2004-05 Budget \$'000		2004-05 Est.Outcome \$'000	2005-06 Budget \$'000	Var %	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
7 563	Interest Received	7 789	7 620	-2	7 723	7 764	7 800
7 563	Operating Receipts	7 789	7 620	-2	7 723	7 764	7 800
	Payments						
160	Related to Employees	148	152	3	154	159	162
216	Related to Supplies and Services	239	244	2	242	244	247
4 596	Borrowing Costs	4 596	4 498	-2	4 406	4 310	4 211
0	Other	2	0	-100	0	0	0
4 972	Operating Payments	4 985	4 894	-2	4 802	4 713	4 620
2 591	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2 804	2 726	-3	2 921	3 051	3 180
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
9 593	Proceeds from Sale/Maturities of Investments	0	0	-	0	0	0
2 852	Repayment of Home Loan Principal	2 454	2 117	-14	1 832	1 590	1 384
12 445	Investing Receipts	2 454	2 117	-14	1 832	1 590	1 384
	Payments						
0	Purchase of Investments	3 788	3 084	-19	2 708	2 370	2 064
0	Investing Payments	3 788	3 084	-19	2 708	2 370	2 064
12 445	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	-1 334	-967	28	-876	-780	-680
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Payments						
1 945	Repayment of Borrowings	2 095	2 033	-3	2 124	2 220	2 320
1 945	Financing Payments	2 095	2 033	-3	2 124	2 220	2 320
-1 945	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	-2 095	-2 033	3	-2 124	-2 220	-2 320
13 091	NET INCREASE/(DECREASE) IN CASH HELD	-625	-274	56	-79	51	180
427	CASH AT BEGINNING OF REPORTING PERIOD	7 921	7 296	-8	7 022	6 943	6 994
13 518	CASH AT THE END OF THE REPORTING PERIOD	7 296	7 022	-4	6 943	6 994	7 174

Home Loan Portfolio Statement of Changes in Equity

Budget as at 30/6/05 \$'000		Est.Outcome as at 30/6/05 \$'000	Planned as at 30/6/06 \$'000	Var %	Planned as at 30/6/07 \$'000	Planned as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000
11 454	Opening Balance	12 023	13 957	16	16 741	19 660	22 709
	Accumulated Funds						
2 772	Operating Result for the Period	1 934	2 784	44	2 919	3 049	3 178
	Reserves						
2 772	Total Income And Expense For The Period	1 934	2 784	44	2 919	3 049	3 178
	Transactions Involving Equity Holders Affecting Accumulated Funds						
14 226	Closing Balance	13 957	16 741	20	19 660	22 709	25 887

Notes to Budget Statements

Significant variations are as follows:

Operating Statement

- interest:
 - the decrease of \$0.819m in the 2004-05 estimated outcome from the original budget is primarily due to a lower than forecast value of outstanding loans and the interest rate for investments being lower than forecast in the 2004-05 Budget; and
 - the increase of \$0.757m in the 2005-06 Budget from the 2004-05 estimated outcome is due to a projected higher interest rate for investments, which offsets the continuing decline of home loan interest revenue.
- unrealised gain or loss: there is no projection of unrealised gain or loss for long term investments, because the rate of return for long term investment incorporates the net unrealised gain or loss from investment fluctuations.

Balance Sheet

- current receivables:
 - the decrease of \$0.383m in the 2004-05 estimated outcome from the original budget is due to higher than expected discharge of outstanding loan amounts in the last quarter of 2003-04; and
 - the decrease of \$0.116m in the 2005-06 Budget from the 2004-05 estimated outcome is due to natural reduction of outstanding loans and some anticipated early discharge by borrowers.

- current investments: the decrease of \$6.5m in the 2004-05 estimated outcome from the original budget is due to funds being transferred to long term investments in anticipation of a higher rate of return.
- non-current receivables:
 - the decrease of \$6.111m in the 2004-05 estimated outcome from the original budget is due to higher than expected discharge of outstanding loan amounts in the last quarter of 2003-04; and
 - the decrease of \$1.938m in the 2005-06 Budget from the 2004-05 estimated outcome is due to an expected early repayment of loans.
- non-current investments:
 - the increase of \$12.3m in the 2004-05 estimated outcome from the original budget is the combined result of the transfer of funds from short term investment to long term investment (\$6.5m) and the higher than expected loan discharges in the last quarter of 2003-04; and
 - the increase of \$3.084m in the 2005-06 Budget from the 2004-05 estimated outcome reflects higher interest revenue expected from long-term investments than short term investments.
- current and non-current interest bearing liabilities: this represents the loan from the Commonwealth Government, which is scheduled to be fully paid in 2040.

Cash Flow Statement

The major variances within the Cash Flow Statement are explained within the Operating Statement and Balance Sheet above.

Other significant variances are as follows:

- repayment of home loan principal:
 - the decrease of \$0.398m in the 2004-05 estimated outcome from the original budget reflects fewer early terminations of loans than expected and more deferred assistance than anticipated in the 2004-05 Budget; and
 - the decrease of \$0.337m from the 2005-06 Budget from the 2004-05 estimated outcome to the 2005-06 Budget reflects the smaller balance of outstanding loans.

