



MINUTES forming ENCLOSURE to

Critical Deadline	
Routine	

TO: MINISTER FOR HOUSING AND URBAN DEVELOPMENT – HSM1407.3

RE: REFORM OF GOVERNMENT BOARDS AND COMMITTEES

BACKGROUND

HomeStart Finance (**HomeStart**) is a statutory corporation established by regulation under the *Housing and Urban Development (Administrative Arrangements) Act 1995 (SA) (HUD Act)* and is administered by a seven member Board of Management. Board members are appointed by the Governor for a term not exceeding three years.

Board members are independent of the organisation and are chosen for their expertise and skills in matters related, or complementary to, HomeStart's business. It is a commercial Board.

The Board is responsible to the Minister for overseeing HomeStart's business operations, with a particular focus on corporate accountability, strategic planning, monitoring, policy development and protecting the Crown's financial and other interests in the organisation.

The HomeStart Board has established two remunerated committees, the Audit Committee, Asset and Liability Committee (ALCO), and a non-remunerated Credit Sub-Committee to assist in the discharge of its function. The members of these committees are selected for their expertise and independence.

The Premier has undertaken to abolish every government board and committee unless it can be demonstrated that it has an essential purpose that cannot be met through other means. Ministers will be responsible for recommending which boards and committees should be exempt from being abolished.

ISSUES

Whilst respecting and acknowledging its government ownership, HomeStart is a commercial body operating in a commercial environment, the South Australian financial services market. We consider that given the nature of HomeStart's operations the Board has an essential purpose in ensuring the long term viability of its business and protecting the Crown's financial and other interests in HomeStart.

Accordingly, we ask that the Minister recommend that the HomeStart Board and its committees be exempt from being abolished. The following factors support such a recommendation.

1. Independence

We believe it is essential that a level of separation between the Board's function and its owner, the government, be maintained.

The centralisation of the board's function to, for instance, a government department would in our view necessarily diminish the level of objectivity applied to decision-making as decisions may be made in the best interests of the department rather than HomeStart.

As members of the board of a statutory corporation, HomeStart Board members owe a fiduciary duty to the corporation: thus they are obliged to act in the best interests of HomeStart, free from any constraints that would prevent a correct course of action, subject to a direction of the Minister. Such independence avoids conflicts of interest, ensures that the best interests of HomeStart are served and maintains the credibility of HomeStart as a commercial entity.

Importantly, the independence of members is reviewed by the Board on a regular basis.

2. Efficiency

HomeStart's board and committee members are paid from HomeStart's profits. As such, the budgetary consequences for the Government of retaining the board and its committees are neutral.

The Board and its committees have established charters and operate in accordance with the principles of best practice corporate governance as recommended by the ASX Corporate Governance Council and the Australian Institute of Company Directors.

A review of the performance of the Board and its committees is undertaken on an annual basis.

There is no apparent overlap or duplication with regard to the functions performed by the HomeStart Board.

3. Key governance role

The Board performs a key governance role in acting as a check on management, facilitating the necessary scrutiny of the day-to-day running of the corporation on behalf of its owner, the Government. The expertise and independence of members, and their understanding of the market within which HomeStart operates, enables critical examination of the reporting information presented by management and the ability of members to candidly challenge management's thinking.

The Board's expertise also assists in the appropriate positioning of HomeStart in response to strategic risks. This was evident in the volatility and uncertainty created by the Global Financial Crisis, the effects of which continue to this day.

The Board also ensures congruence with whole-of-government policy and the government's seven strategic priorities.

The Audit Committee has a key role in assisting the Board to fulfil its corporate governance objectives in relation to financial reporting, internal control structure, risk management and the internal and external audit.


ALCO's key role is to maintain sound, prudent asset and liability management practices that result in the long term financial viability of HomeStart.

The Credit Sub-Committee is responsible for approving loan applications up to and including \$1.1 million where the resulting aggregate exposure to the borrower exceeds \$1.1 million.

The appointment of Board members to these committees allows members to gain a more in-depth understanding of the business which facilitates a greater degree of transparency and allows for more informed decision-making at Board level. As such, these committees play an integral role in the effective discharge by Board of its governance responsibilities.

RECOMMENDATION

That the Minister recommends that the HomeStart Board and its committees be exempt from being abolished and that existing arrangements continue in their current format.



John Oliver
CHIEF EXECUTIVE
HomeStart Finance

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