

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Supplementary Budget Estimates – 2016-17

Prime Minister and Cabinet Portfolio

Department/Agency: Indigenous Business Australia

Outcome/Program: Outcome 2; Indigenous

Topic: Business loans and home loans

Senator: Siewert

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Question:

What are the budgets for the current year for Business loans and home loans?

- a) What were the budgets for the last 3 financial years for these two categories of loan?
- b) Please list the loan targets for the each of the last 3 financial years for both categories?
- c) Please provide actual performance against these targets for each for both programs.
- d) If the targets have not been met, please explain the reasons?
- e) If the targets have not been met, what action has been taken?

Answer:

Business Development and Assistance Program

- a) The business loan budget appropriation for the last three financial years has remained at \$13.7M.
- b) Loan targets for each of the last 3 financial years were as follows:

Financial Year	Program	Target
2015/16	BDAP	60
2014/15	BDAP	80
2013/14	BDAP	80

- c) Actual performance against these targets were as follows:

Financial Year	Program	Actual
2015/16	BDAP	36
2014/15	BDAP	49
2013/14	BDAP	75

- d) Whilst the number of actual loans has not been met, the total value of the loans written exceeded budget for financial years 2013/14 and 2014/15 and was 13% below budget for 2015/16.

Although IBA carries higher risk in its portfolio when compared to private sector lenders, we are committed to ensure that the debt a customer takes on is appropriate to their needs and financial capacity to service the loan.

In addition to this IBA has seen a decline in demand for business loans perhaps due to the Australian economy experiencing only modest growth, and a continued slowing in the resources sector.

- e) IBA is taking a proactive approach to developing a pipeline of prospective Indigenous entrepreneurs with the potential to develop commercially viable businesses.

The Business Development and Assistance Program has been redesigned to more effectively respond to the changing market and refocus the types of support offered in line with the various stages of the business lifecycle. Debt financing is only one of many products and services that IBA provides.

A significant focus from customer consultation and assessment of the current lending portfolio was the need to build the business capability and capacity at the front end to ensure that customers are equipped with the knowledge and skills of entering and sustaining a business. This new approach is a key element of IBA's new products and focus within the business lifecycle journey.

Indigenous Home Ownership Program

- a) IBA met its lending budget for new housing loans from 2013-14 to 2015-16. Details of IBA's lending budgets and new lending commitments for housing loans each year are detailed as follows:

	Total Budget	Outstanding Commitments from Previous Year (Million)	New Lending Budget \$Million	Actual Commitment \$ Million
2015-16	\$ 197.0	\$ 35.2	\$ 161.8	\$ 197.1
2014-15	\$ 180.0	\$ 34.4	\$ 145.6	\$ 183.9
2013-14	\$ 185.0	\$ 43.4	\$ 141.6	\$ 185.1

- b) The following table provides the Home loan targets (from Portfolio Budget Statements.

Year	Target
2015-16	575
2014-15	560
2013-14	560

- c) The following table provides the actual home loan approvals for the last three years.

Year	Loans Approved
2015-16	489
2014-15	517
2013-14	556

- d) Significant increases in property prices and resultant increases in average loan sizes for purchase has impacted on the actual number of loans written.

State Government withdrawal of FHOG schemes for the purchase of existing homes and the withdrawal of stamp duty concessions for first home buyers has also impacted on the first home buyer market.

The downturn in manufacturing and mining sectors has also dampened lending in some jurisdictions. Despite intensive promotional effort and attractive loan assistance packages - loan applications in discrete communities have been lower than expected.

- e) IBA is currently considering a number of options to utilise its capital base to provide funding for additional Indigenous home ownership and housing outcomes. To assist IBA in its deliberations; discussions with a number of Indigenous organisations and related stakeholders are underway to determine the demand and develop strategies to enhance Indigenous home ownership and housing outcomes.