



Australian Government



REGIONAL
INVESTMENT
CORPORATION

Corporate Plan 2022/23

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The Corporate Plan has been prepared in accordance with the requirements of:

Subsection 35(1) of the PGPA Act; and

Subsection 16E(2) of the PGPA Rule 2014.

The Contents table below details the requirements met by the Regional Investment Corporation's Corporate Plan and the page reference for each requirement.

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Introduction from the Chair

As Chair of the Board and the Accountable Authority of Regional Investment Corporation (RIC), I present the Regional Investment Corporation's Corporate Plan 2022–2023, which covers the periods of 2022-23 to 2025-26, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).



The purpose of the RIC is to provide concessional loans that support the long-term strength, resilience and profitability of Australian farms, small farm-related businesses and plantation businesses.

This purpose is at the heart of everything we do, and to date, our approved loans valued at over \$3 billion have supported more than 3,000 customers to manage and recover from drought, invest in their businesses, start new farm businesses, and keep family farms in the family through succession planning.

As we look ahead to the 2022-23 financial year, we will support the policies of our new ministers, Senator the Hon. Murray Watt, Minister for Agriculture, Fisheries and Forestry, and Senator the Hon. Katy Gallagher, Minister for Finance through our concessional lending programs.

We will continue to be guided by our Strategy which includes the following objectives:

1. We build on our foundations
2. Our loans make a difference
3. We own the customer experience
4. We innovate our products.

As we enter our fifth year, the Australian Government has announced a reallocation of existing RIC loan funding over the 2022-23 to 2025-26 financial years. This includes \$266 million in RIC loan funding allocated for the 2022-23 financial year which will allow us to continue to support a more diverse and financially resilient regional Australia and achieve our objectives. The year also commences with the launch of our revised farm business definition, expanding eligibility for RIC loans to new industries in recognition of the diversity of Australian agriculture, industry needs and emerging markets.

We are optimistic about the future of Australian agriculture, and the important role the RIC will continue to play supporting regional Australia.

A handwritten signature in black ink, which appears to read 'Karen Smith-Pomeroy'. The signature is written in a cursive, flowing style.

Karen Smith-Pomeroy
Chair

Message from the CEO

The RIC has been supporting regional Australia for four years having delivered over \$3 billion in lending. Over that time, our interest-free and concessional loans have created significant savings to our customers, many of whom tell us their RIC loan helped their businesses remain viable through managing cost pressures and variability in conditions and revenue.



With a new set of objectives to guide us through the coming years, we have refined our performance measures to reflect the ongoing nature of our core business, continuous improvement of our service delivery, and implementation of the final stage of our transformation program.

With many of our core corporate systems now in place, this year we will focus on delivering technology that will enable the RIC to own our loan management system and through that, gain greater insights from data to enhance the customer experience.

The RIC is up to date with processing new loans and is pleased to have exceeded its key performance indicator of delivering 80 per cent of loans in 65 RIC-handling days from application to settlement, for all applications since October 2020.

To meet customer and stakeholder expectations, one of our new performance targets is to deliver a decision on 85 per cent of loan applications within 30 RIC-handling days, a measure over which the RIC has greatest control and a decision point in the loan application process that provides our customers with certainty, as quickly as possible.

We are also targeting a year-on-year increase in our customer satisfaction rate and will be rolling out new ways for customers to provide feedback and making it easier and faster for customers to apply for a RIC loan, to continually improve our operations.

We're excited to continue our work supporting farmers, farm-related small businesses, and plantation businesses this year to build a stronger regional Australia.

A handwritten signature in black ink, appearing to read 'Paul Dowler'. The signature is fluid and cursive, with a prominent initial 'P'.

Paul Dowler
Acting Chief Executive Officer

Strategic Overview

Purpose

To provide loans that support the long-term strength, resilience and profitability of Australian farm businesses and new plantation developments to support the growth of regional economies and communities.

Key functions under the RIC Act

- To administer farm business loans
- To administer programs prescribed by the rules.

Agency outcome

Encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Commonwealth's farm business concessional loans.

Program objective

Provide practical support and investment to help rural and regional communities achieve economic growth, agricultural productivity, and resilience through the delivery of farm business loans, farm-related small business loans and plantation development loans.

The RIC's farm business loans and farm-related small business loans provide concessional finance to businesses that are in financial need of assistance, to recover from short-term hardship but are assessed as financially viable over the long-term and are able to repay the loan.

The RIC will also provide plantation development concessional loans to support new plantation developments and replanting bushfire-damaged plantations.

Key objectives 2022-2026



Performance

The RIC's previous Corporate Plan 2021-22 included 2 strategic objectives:

- unlock potential to deliver support to rural and regional Australia through concessional finance
- improve capabilities to meet the emerging needs of the business.

During the 2021-22 financial year, we achieved those objectives settling 1,499 loans and meeting all performance targets, including processing 98 per cent of all farm business loans received in the year within 65 RIC-handling days. We launched the Plantation Loan during the year. We achieved significant progress in the implementation of the transformation program through delivery of technology for customer relationship and loan application management, a records management system, and an enterprise resource planning system.

As we move into the 2022-23 financial year, we have reviewed and expanded our strategic objectives as the RIC evolves into its next phase insourcing the full suite of lending services.

Our 4 strategic objectives reflect the maturing of the RIC, managing further lending and a \$3 billion loan portfolio that has been created on behalf of the Australian Government:

1. we build on our foundations
2. our loans make a difference
3. we own the customer experience
4. we innovate our products.

We have strengthened our loan processing timeframe performance measure to include the target of 85 per cent of eligible loans to be decisioned in 30 RIC-handling days for the \$266M available loan facility for this financial year. It is considered that the time to decision is a better measure of our performance. The process of decisioning a loan is more within the control of the RIC to manage, and it provides a decision point which allows customers to plan with some certainty. The RIC will also review its loan credit risk management processes and appetite given the size of the loan funds under management.

In line with owning the customer experience, we have also refined our customer and stakeholder satisfaction measure to focus on the customer as we believe this is a clear measure of our performance.

The transformation program will reach its final stage this year as we look to implement loan management and loan origination systems and capabilities. This is seen as a natural progression for the RIC and our performance targets have been adjusted to reflect the commencement of this phase being the delivery of our new operating model.

Key activities, performance measures & targets

Table 1: 2022-23 to 2025-26 Key activities, performance measures & targets

Objectives	Key activities	Performance measures	Targets 2022-23 & beyond	2022-23	2023-24	2024-25	2025-26
1, 2	We will manage the risk and assurance in the loan portfolio, with a focus in 2022-23 on revising our risk appetite and framework, followed by ongoing review and alignment of the statement and framework to emerging risks in future years	Risk is managed within acceptable tolerances	Ongoing portfolio management framework is finalised and operational ¹	Dec 22	✓	✓	✓
			90% of loan decisions are consistent with the risk appetite ¹	✓	✓	✓	✓
1, 2, 3	We will implement final stages of the transformation program, involving the deployment of new technology that insources loan management and origination, and realigns our workforce and capability to a new operating model	Implement loan management system	Loan management system implemented and functional ²	Dec 23	N/A	N/A	N/A
		Workforce capability aligned to new operating model	Workforce plan implemented and embedded ³	Dec 23	N/A	N/A	N/A
2, 3	We will deliver our loans in accordance with appropriations and timelines. In 2022-23 we will track our progress against a new loan processing timeframe target, ensuring customers receive a decision on their loan as quickly as possible to help them with their planning	Number and value of loans approved	Support provided within appropriation limits ⁴	✓	✓	✓	✓
		Deliver services efficiently within approved funding	Operate within approved operating budget ⁵	✓	✓	✓	✓
		Loan processing timeframe	85% of eligible loans decided in 30 RIC-handling days for the loan facility of \$266M ⁴	Jun 23	✓	✓	✓
2, 3, 4	We will increase customer satisfaction, including by insourcing our services to enhance our customer service and experience	Improved customer satisfaction	Increase in satisfaction rates compared with prior years ⁶	Jun 23	✓	✓	✓
2, 4	We will deliver new products or product amendments as directed by the Australian Government.	Responsive and efficient delivery of new products and enhancements	New products delivered on time and within appropriation limits ⁷	✓	✓	✓	✓

Data sources:

¹ Risk appetite statement and risk reporting data

² Project management reporting

³ Human Resources and ERP reporting

⁴ Monthly loan data

⁵ Portfolio Budget Statements (PBS), Financial Statements and Management Reports

⁶ Customer surveys

⁷ Project management reporting and PBS

Operating context

Environment

The Australian agriculture landscape is constantly changing, which influences our operating environment. Farm businesses are regularly exposed to significant risk and constantly address volatile commodity prices, climate variability and other factors through a need for resilience, adaptation, and innovation.

Due to ongoing above-average seasonal conditions, coupled with high food and commodity prices, in 2022-23 the gross value of agricultural production is forecast to be \$80.4 billion, the second highest on record.¹ This led to lower demand for RIC loans in 2021-22, which are primarily to support businesses in financial need. We expect this to continue into 2022-23 and is broadly in line with loan funding allocated to the RIC over the forward estimates. While still accepting new loan applications, with a \$3 billion loan portfolio representing approximately 3,000 customers, our operating environment is naturally shifting towards the management of our customer base. This includes expanding our capability into loan administration, reviews, variations, arrears management and monitoring industry and environmental trends to ensure our credit risk appetite remains appropriate in the face of changing market and industry conditions.

Having recently experienced strong business conditions for agriculture in Australia, challenges remain ahead. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) June quarter 2022 Agricultural Commodities report assesses that lower worldwide agricultural production, war and trade restrictions are continuing to increase pressure on commodity prices². Heightened biosecurity risks, limited access to farm labour and increased input costs have continued to present challenges for the agriculture sector. Access to insurance in a tightening market is also increasingly difficult as we grapple with the frequency and severity of natural disasters. The RIC's Plantation Loan has experienced subdued demand with difficulties in obtaining plantation insurance. The RIC is therefore carefully considering insurance challenges in the broader context of its product suite.

As we move into 2022-23, the climatic, environmental, biosecurity, workforce and economic conditions will continue to place pressures on farm businesses, farm-related small business and plantations, which is why concessional finance continues to remain relevant and of benefit to loan recipients. The RIC's concessional interest rates are linked to the Commonwealth Bond Rate rather than the Cash Rate and are only adjusted twice annually. Therefore, they retain their concessional nature and are less reactive to the market, rising less sharply over time when compared with commercial interest rates. For example, the RIC interest rate at establishment in 2018 was

¹ ABARES 2022, *Agricultural commodities: June quarter 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra

² ABARES 2022, *Agricultural commodities: June quarter 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra

3.58 per cent. It reached a low of 1.92 per cent in 2020; and as of August 2022, it will be 3.04 per cent for farm business loans, and 2.62 per cent for Plantation Loans.

From 1 July 2022 our farm business definition was expanded to make more industries eligible for our loan products. The expansion represents a move away from a 'food and fibre' definition to more inclusive definition that recognises new and emerging industries.

A new government will also impact our operating context as it works through the delivery of its policy agenda. Concessional finance is an efficient tool to deliver policy reform and innovation while prudently managing the return of loan funds back to the Australian Government for ongoing use. The RIC is therefore enthusiastic and ready to support the new government in the coming years and will seek opportunities to refine our products in line with the government's policy priorities and stakeholder needs.



Capabilities

We are committed to developing a high-performing organisation where our people are empowered and supported in the delivery of our vision to contribute to a stronger Australia through thriving regions.

We have a vibrant culture which is based on being down to earth, embracing difference, being bold and acting with purpose. We support our executive leaders to lead by example and demonstrate high standards of professionalism, integrity, and ethics. We encourage our people to collaborate effectively, be fair, pioneering, courageous and open to new ideas and learning opportunities, and to value inclusion through active participation in our transformation program. We actively manage and measure our staff engagement.

As part of this transformation program, we have delivered a customer relationship management system, a records management and integrated finance and human resource systems. Over the next year, we will extend this system investment through implementation of a new cloud-based lending management system architecture. This ambitious program of work is being undertaken to:

- improve our ability to provide a simple, timely, unified customer experience
- enable robust data management, governance, and analytic capability
- ensure we understand the environment in which our customers operate; and
- provide the tools and internal capabilities our staff need to deliver positive outcomes for our customers and stakeholders now and into the future.

We have developed a key people strategy to address and mitigate the risk of the current labour market challenges and improve our ability to attract the right people with the right skills, capabilities, and behaviours to the right roles. As part of the people strategy, we will continue to develop our workforce planning initiatives across the RIC in order align roles and responsibilities in line with the RIC's new operating model. The workforce planning initiatives will underpin strategies to ensure accurate resourcing of key areas with both a short and long-term plan for the ongoing requirements of the RIC, particularly in relation to meeting the needs of the life cycle of the loan products.

To support these workforce planning initiatives and system deployments we are continuing to operate with a lean internal ICT Team supported through system and domain-specific managed support services. The RIC continues to invest in cloud-only IT infrastructure and leverages whole-of-government licencing, platforms, and frameworks to reduce operational overheads.

We are committed to building collaborative teams, optimising internal communication streams, and creating solutions together to drive outcomes for our customers.

Underpinning this commitment is continued investment in enabling technologies and cyber security to deliver policy and program objectives effectively, efficiently, and securely in a flexible, digitally

enabled workspace. RIC continues to support and extend opportunities for secure, decentralised, remote, and flexible work environments for all our staff throughout Australia.

Risk oversight and management

Risk management is implemented and monitored by our Executive Leadership Team and overseen by the RIC Board and RIC Audit Committee.

We take a proactive approach to risk management, consistent with Commonwealth Risk Management Policy. We manage our risks through our Risk Management Framework and Policy. The framework sets out the organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management within the RIC.

We are currently reviewing our risk management framework, focusing efforts on a risk appetite statement that more accurately reflects risks associated with our loan portfolio.

Mitigating our enterprise risks

Engaging with our enterprise risks is fundamental to the delivery of our core business and overall achievement of our objectives.

The RIC Board and the Executive Leadership Team will continue to monitor our enterprise risks, including the effectiveness of identified controls and key mitigation strategies.

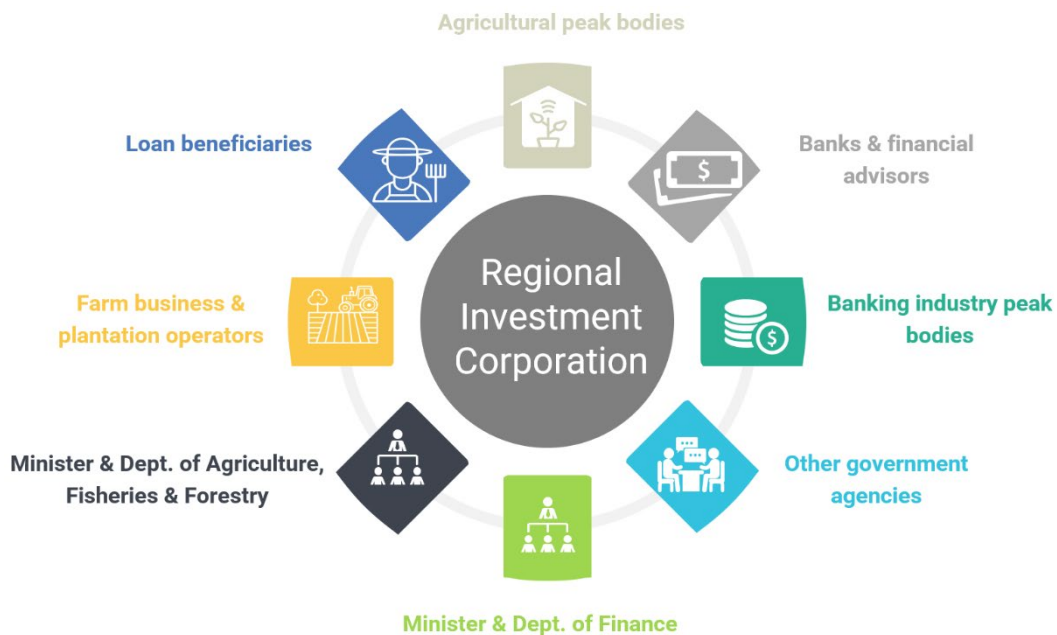
Table 2: Potential Enterprise Risks 2022-26

Potential enterprise risk	Key mitigation strategy
RIC loan programs do not deliver the intended benefit to rural and regional Australia, or the benefit cannot be demonstrated	<p>Providing regular lending activities and results reporting to the Executive Leadership Team, Department of Agriculture, Fisheries and Forestry and the Responsible Ministers</p> <p>Conducting market research and case studies with RIC loan recipients</p> <p>Providing advice to government on the impacts to rural and regional communities, including advice on policy settings</p> <p>Conducting program monitoring and evaluation activities</p> <p>Conducting national engagement with stakeholders</p>
The RIC makes inconsistent lending decisions or decisions outside the risk appetite leading to loan portfolio credit risk	<p>Ensure detailed eligibility criteria in the loan program guidelines to facilitate consistent understanding across loan applicants, and providing internal policies and procedures to facilitate consistent decision making by RIC staff</p> <p>Providing a review process to declined applicants and access to Australian Financial Complaints Authority (AFCA)</p> <p>Conducting internal and external risk assessments and compliance and assurance reviews of lending decisions</p> <p>Conducting market research and case studies with RIC loan recipients</p> <p>Collecting and analysing loan data</p>
The RIC cannot meet stakeholder expectations in relation to processing files within expected timeframes	<ul style="list-style-type: none"> • Increase in staff resources to supplement Lending Service Provider (LSP) • Review and implement a contract management program to oversee the LSP contract • Revise our Stakeholder Engagement Strategy to strengthen customer and stakeholder messaging • Providing ongoing training and development for our staff • Undertaking internal credit policies and procedures improvement reviews • Conducting internal reporting and loan processing times monitoring • Improving access to data and reporting to understand application status and progress through the application lifecycle • Have an escalation plan for dealing with unanticipated spikes in loan demand
The RIC does not have adequate resources to deliver on expectations	<p>Increase in staff resources to supplement Lending Service Provider</p> <p>Process improvement initiatives are implemented through a transformation program</p> <p>Processes in place to ensure resources are allocated to priority areas</p> <p>Approval from the then Minister for Finance to access Retained Earnings in the 2022-23 financial year</p>
The RIC loses operational capability	<p>Secure, decentralised, remote, and flexible ICT platforms are utilised</p> <p>Flexible work arrangements provided to staff</p> <p>ICT disaster recovery plans are maintained</p> <p>RIC Risk Management Policy and Framework</p> <p>Delivery of transformation program that includes the implementation of customer relationship management, records management and integrated finance and human resources systems.</p> <p>External service arrangements are in place for certain key areas - for example, IT system security</p> <p>Development of a people strategy and workforce planning initiatives to address and mitigate the risk of the current labour market and improve the ability to attract and retain the right capabilities</p>
The Transformation program does not deliver the change intended – functional outcomes below expectation, timelines not met or delivering within approved funding	<p>Monthly steering committee meetings are in place and is a standing item on the Board meeting agenda</p> <p>Agile project methodology in place to respond to changing business requirements</p> <p>Specialist project management resources engaged</p> <p>External assurance partner resources engaged</p>

Potential enterprise risk	Key mitigation strategy
<p>Reputation is compromised by risks beyond the RIC's direct control</p>	<p>Maintain a Memorandum of Understanding with the Department of Agriculture, Fisheries and Forestry</p> <p>The Board, CEO and management build relationships and maintain appropriate and regular interactions with government and ministerial officials</p> <p>Development and implementation of stakeholder and media engagement strategies</p> <p>Provision of high-quality advice to the Board and the government</p> <p>The Board undertakes its specific role in providing Future Drought Fund advice to the Minister for Agriculture, Fisheries and Forestry, and deals appropriately with actual or potential conflicts of interest in accordance with its approved policy</p> <p>Investment in transformation and improved systems to scale the business more easily in response to demand and new programs</p> <p>Have an escalation plan for dealing with unanticipated spikes in loan demand</p>
<p>The RIC is unable to attract and retain suitable staff and access to staff is impacted by staff absenteeism</p>	<ul style="list-style-type: none"> • Work from home and flexible working arrangements provide attractive working conditions • Leave policies and procedures establish requirements for appropriate leave taking and approvals • Work, health, and safety including employee wellbeing monitored by ELT and Board • Access to labour hire personnel to offset staff shortages • Remuneration policy includes framework for engaging skilled people • Workforce planning to include assessment of future skills and capabilities, including skill transition and succession planning • Development of a people strategy and workforce planning initiatives to address and mitigate the risk of the current labour market and improve the ability to attract and retain the right capabilities

Cooperation

The RIC seeks to be a leading model of public sector and industry engagement that translates insights gained into the delivery of financial investment products and services that build resilience and capacity in Australia's agricultural economy. As a Corporate Commonwealth Entity, our key stakeholders are a diverse mix of government entities, agricultural and banking industries, and most important of all – our customers.



While we are an Australian Government-backed specialist finance provider, we do not compete with the banks or other financial institutions. Instead, we work with the banks and complement their services with concessional finance to help those eligible farm businesses, farm-related small businesses and plantations receive the finance they need to better position their business for future growth and increase their resilience in the face of forthcoming challenges. We engage with the Australian Banking Association to foster ongoing collaboration with the financial services sector.

We rely on a strategic partnership network with the Department of Agriculture, Fisheries and Forestry, the Department of Finance, the National Emergency Management, Resilience and Recovery Agency, Rural Financial Counselling Service, industry representative groups and trusted advisors to make our loan information available to as many farmers, farm-related small businesses, and plantations as possible.

To meet the government's commitment to support farmers and regional communities, we will continue to engage with key stakeholders and industry groups to maintain effective partnerships across Australia.

