



Australian Government



REGIONAL
INVESTMENT
CORPORATION

Regional Investment Corporation

Corporate Plan

2020/21



Introduction

I, Karen Smith-Pomeroy, as Chair of the RIC Board and the Accountable Authority, present the 2020-21 Regional Investment Corporation (RIC) Corporate Plan, which covers the periods of 2020-2021 through to and including 2023-2024 as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

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Contents

1 Message from the Chair	1
2 Message from the CEO	2
3 Strategic overview	3
4 Performance	5
5 Operating context	7
5.1 Environment	7
5.2 Capabilities	7
5.3 Risk oversight and management	9
5.4 Cooperation	11
6 List of requirements	12

1 Message from the Chair

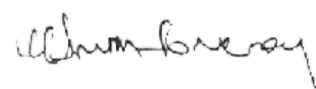


The Regional Investment Corporation (RIC) is providing affordable loans to build a stronger regional Australia. The valuable financial benefit we provide enables our customers to grow and invest in their farm businesses or prepare for, manage through and recover from drought. We also have our National Water Infrastructure Loan Facility available for state and territory governments to build and improve regional water infrastructure.

We know that supporting regional economic growth means assisting our customers to improve their financial position and use the savings from our loans to reinvest back into more robust and resilient businesses. This enables them to improve their local spend, support a regional workforce and increase the overall strength of Australia's agriculture industry, while being better prepared for our changing climate and weather conditions.

Since its inception in July 2018, the RIC has been rapidly increasing the valuable financial support it provides to drought-affected farmers and farm-related small businesses, approving more than 800 total loans valued at over \$880 million as at 30 June 2020. The 2019-20 financial year has been full of opportunities, challenges and success with more than 635 total loans approved valued at over \$715 million as at the end of the financial year.

The RIC's strategic objectives are designed to achieve our vision and are customer-focused to develop and improve our customer experience, as well as provide fit-for-purpose and valuable loan products that make a meaningful difference to regional Australia. We expect the 2020-21 financial year to be a period of further growth and development for the RIC as part of a national focus on strengthening Australia's agricultural sector.



Karen Smith-Pomeroy
Chair

2 Message from the CEO



The past 12 months have been an incredible time of growth and development for the RIC and we expect the next financial year to be just as significant as we build on our success to date, refine our processes and improve our customer experience.

When the RIC was established in July 2018, we anticipated receiving between 300 – 500 new loan applications per year. When the government announced that the RIC's Drought Loan terms would be updated to offer two years' interest free, three years' interest only then five years' principal and interest over a 10-year loan term, demand for our loans quickly escalated.

The RIC has met this demand with an increase in its staff. We're refining our processing and continually improving our approach to increase the volume of loan applications we're able to process as quickly as possible. How we'll do this is outlined in our Corporate Plan.

The RIC can also help states and territories deliver important regional benefits through its National Water Infrastructure Loan Facility (NWILF) to increase sustainable water supplies. We recognise that water infrastructure projects are large and complex with long lead times, but in 2020-21 and beyond we remain committed to continued collaboration with our NWILF stakeholders to ensure the NWILF is an attractive and cost-effective financing option for water infrastructure proponents and states and territory governments.



Bruce King
Chief Executive Officer

3 Strategic Overview

Purpose

To provide loans that support the long-term strength, resilience and profitability of Australian farm businesses and for water infrastructure that will provide secure and affordable water supplies to support the growth of regional economies and communities

Vision

A stronger Australia through thriving regions

Key functions under the RIC Act

- (a) to administer farm business loans
- (b) to administer, on behalf of the Commonwealth, financial assistance to States and Territories in relation to water infrastructure projects.

Portfolio Budget Statements Outcome 1

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

Strategic objectives

Deliver support to rural and regional Australia through concessional finance



A: We will enhance our access to loan data to enable more accurate demand forecasting, loan facility reporting and measurement of impact of concessional loan finance.



B: We will augment our loan audit and compliance checks and risk and fraud awareness training for staff.

Strengthen delivery of our functions



C: We will implement a program of loan process improvement initiatives.



D: We will increase customer and stakeholder awareness and better manage expectations by providing regular information on loan processes and current processing timeframes.



E: We will engage with our stakeholders to facilitate their understanding of and interactions with the RIC to improve our service. Through our customer and stakeholder interactions, we will provide data to support the Australian Government in understanding the financial needs of rural and regional Australia and the impact of concessional loan funding.

4 Performance






The RIC's previous Corporate Plan 2019-20 included three strategic objectives and associated measures: Build Awareness, Strengthen Delivery of our Functions and Improve Products.

Due to the rapid evolution of our business in 2019-20, and new service delivery focus areas, we reviewed our performance criteria to ensure ongoing relevance and close linkage to our purpose. The 2020-21 Corporate Plan reflects the following changes:

- A solid base of RIC customer and stakeholder awareness has been established and is reflected in the increased demand for our loans. We believe general awareness is largely achieved and have therefore removed the Build Awareness objective. Baseline data gathered through the previous Build Awareness objective will contribute to measuring the success of future stakeholder interactions under the Strengthen Delivery of our Functions.
- The Strengthen Delivery of our Functions objective is continued, but performance criteria have been refocused on emerging critical issues for the RIC over the coming years – improving our loan processes and increasing customer and stakeholder satisfaction.
- The Improve Products objective has been removed in favour of the Strengthen Delivery of our Functions objective, which is more closely aligned to the key activities RIC will undertake in 2020-21 and beyond to improve our service delivery. The data collected under the former Improve Products objective will form baseline data that will be built on over time to measure customer awareness and satisfaction.
- We added a new objective - Deliver support to rural and regional Australia through concessional finance. This objective is directly linked to our purpose, allowing us to report over time the output of our core business - loan delivery.



RIC Customer, Stu Halliday
Walcha, NSW

Objective	Key activity supported	Performance Criteria	Performance Measures	Targets 2020-21 & beyond
Deliver support to rural and regional Australia through concessional finance	<div>A and B</div> <div> </div>	Loan transactions completed in accordance with funding appropriation	- Number and value of farm business loans* provided within funding appropriation limits	- Support provided within funding appropriation limits
			- Number and value of water loans provided	- \$15M in 2020-21 - One new loan per financial year
			- Support to young farmers	- Implementation of the AgriStarter loan program
			- Risk is managed within accepted tolerances	- 90% of loan approvals fall within risk profile determined by the Board - Fraud awareness training undertaken at staff induction with regular refresher programs
			Data source: RIC loan data, compliance checks and audit findings	
Strengthen delivery of our functions	<div>C</div> <div></div>	Improve loan processes	- Decrease in average Farm Business loan processing timeframes (efficiency)	- 80% of loans with an end-to-end delivery timeframe of 65 days
			- Improved end-to-end farm business loan process	- Implement refined process & documentation
			- Enhancement of NWILF loan process	- Implement refined process & documentation in 2020-21
			- Reduction in cost per Farm Business loan (efficiency)	- Average cost per loan decision decreases over time
			Data source: RIC loan data, NWILF Framework	
D and E	<div> </div>	Customer and stakeholder satisfaction	- Improved customer satisfaction and awareness	- 10% increase in satisfaction rates
			- Improved stakeholder satisfaction and awareness	
			Data source: Customer and stakeholder surveys, RIC data, NWILF Framework, stakeholder engagement register	
*In 2020-21, Farm Business Loans is defined as the suite of loan programs that encompasses: Farm Investment Loan, Drought Loan, AgBiz Drought Loan and AgriStarter.				

5 Operating Context

5.1 Environment

The Australian agricultural landscape is ever changing. The 88,000¹ farm businesses in Australia are all exposed to significant risk and continually tackle the challenges of climate variability and volatile commodity prices through resilience, adaptation and innovation.

Despite facing one of the worst droughts on record, the farming sector has managed sustained growth to contribute an estimated \$60 billion to Australia's total Gross Domestic Product (GDP)² by way of adaptable farm business management, strengthening business operations and improving resilience and profitability.

In addition, Australia's water is critical to the future of agriculture and the health of the environment and communities. According to ABARES, in 2018-19, irrigated agriculture used approximately 10,500 gigalitres on 22,000 irrigated farms covering in excess of 2 million hectares, generating approximately \$17.7 billion in agricultural revenue.

Our operating environment is primarily influenced by the Australian agricultural outlook, environmental factors, such as climate, and demand for our loan products. Furthermore, any significant changes arising from changes in government policy or priorities may also impact on our performance against our planned outcomes.

Our work focuses on the need to deliver targeted financial assistance to improve the long-term viability of not just individual farming businesses but also the entire agriculture sector, supporting the government's target of a \$100 billion agricultural sector by 2030.

5.2 Capabilities

We are committed to developing as a high-performance organisation where our people are empowered and supported in the delivery of our mission to provide loans that support the long-term strength, resilience and profitability of Australian farm businesses and for water infrastructure.

We promote a culture of integrity and adherence to the RIC values and Code of Conduct and expect our executive leaders to lead by example and demonstrate high standards of professionalism, integrity and ethics. We encourage our people to collaborate effectively, be agile and open to new ideas and learning opportunities, and to value diversity.

¹ National Farmers Federation - Pre-Budget Submission 2019-20

² ABARES - 7503.0 - Value of Agricultural Commodities Produced, Australia, 2018-19

We are implementing a three-year data strategy to support our development as a high-performance, data-driven organisation. This will be achieved by:

- fostering a culture that values data quality;
- implementing systems to enable robust data management, governance and analytic capability; and
- ensuring staff and stakeholders can easily and securely access quality data with trust in the insights it provides to enable timely, data-driven decision making.

We continue to grow our internal capabilities by recruiting highly motivated and experienced talent to support our new organisational structure and increased loan portfolio through engagement of internal expertise and specialist subject matter experts.

We are ensuring our staff remain efficient and effective through the implementation of key information management systems including business process automation and customer relationship management systems.

We are committed to building collaborative teams, increasing internal communication streams and creating solutions together to drive optimal results and outcomes for our customers. Underpinning this commitment is continued investment in enabling technologies and cyber security to effectively, efficiently and securely deliver policy and program objectives 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.



RIC Customers, Kylie and Phillip George
Clarence Valley NSW

5.3 Risk oversight and management

Our risk management framework

The RIC is committed to a continuous improvement approach to risk management that aligns Section 16 of the PGPA Act, the Commonwealth Risk Management Policy and a best practice approach.

The Risk Management activities of the RIC are overseen by the Executive Leadership Team who monitor and report on risk and risk appetite to the Audit Committee and Board. The RIC has also embedded operational risk management into all business processes through the internal business planning process.

The RIC has recently developed a new risk management procedure to provide operational guidance and support the informed decision making in the management of risks across the agency.

Our Risk Management Framework and Policy will be reviewed over the coming year in line with our new risk management procedures to continue to strengthen our risk management capability and ensure a high level of compliance with the PGPA Act.

Mitigating our enterprise risks

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

The RIC has recently completed a review of our Enterprise Risks through a facilitated risk management workshop identifying seven key enterprise risks which are interrelated and align to our purpose.

The Executive Leadership Team will continue to monitor these risks, including the effectiveness of identified controls and mitigation strategies.

Enterprise risks	Mitigation strategies
1. RIC loan programs do not deliver the intended benefit to rural and regional Australia.	<p>The RIC monitors market conditions affecting concessional lending in agribusiness and water infrastructure, providing early advice to government on major risks, opportunities and relevant policy options in response.</p> <p>Our monitoring and evaluation activities are aligned with our core objectives to ensure the RIC continues to demonstrate benefits to rural and regional communities through our loan programs and core service delivery.</p> <p>The RIC maintains a strong regional presence with staff located across Australia building relationships with producers, their advisers and all levels of government.</p>
2. The RIC cannot demonstrate the benefit its loans provided to farm businesses and rural and regional communities.	<p>The RIC has an engagement strategy which recognises that engaging widely helps us provide insightful advice.</p> <p>Our engagement strategy is centred around clear messaging to our stakeholders, having a collegiate approach to assisting producers and seeking feedback on perceptions and the quality of our business development activities.</p>
3. The RIC makes inconsistent lending decisions leading to a loss in stakeholder confidence.	<p>The RIC maintains loan program guidelines that detail eligibility criteria providing the basis for sound stakeholder messaging and consistent loan decisioning. Our mitigation approach includes:</p> <ul style="list-style-type: none"> • Business development and engagement • Internal policies and procedures • Program guidelines • An independent appeal process • Internal compliance program • Continuous improvement strategies
4. The RIC cannot meet stakeholder expectations in relation to loan processing times.	<p>The RIC's engagement strategy is working to strengthen client messaging around loan processing times and establish clear stakeholder expectations. The strategy also encourages feedback from stakeholders to address process improvements. We are continuing to improve our loan processing times through the deployment of agile work practices, increased resourcing and the provision of ongoing training and development of our processing staff.</p>
5. The RIC does not have the right people (or the right number of people) to deliver on expectations.	<p>Our workplace learning and development framework together with our internal business planning processes work together to ensure the utilisation and deployment of resources across the agency to meet objectives. Our approach includes:</p> <ul style="list-style-type: none"> • Workplace learning and development planning • Internal operational business planning • Workforce planning • Flexible employment opportunities
6. RIC doesn't harness the opportunity to offer its capability to deliver future loan programs.	<p>Our business planning and budgeting process enables Executive oversight of the delivery of agency objectives, our loan portfolio and in meeting our regulatory and compliance obligations. Our mitigation approach includes:</p> <ul style="list-style-type: none"> • Ongoing engagement with government • Engagement strategy • Internal business planning and risk management • Internal budget management and reporting • Workforce planning • Workforce learning and development
7. The RIC loses operational capability.	Refer to capability section of this plan.

5.4 Cooperation

Our purpose is to encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Australian Government’s farm business concessional loans and the NWILF.

During the 2020-21 period, RIC will continue to play an important role in contributing to the government’s policy objective to help farmers and rural communities deal with an array of on and off-farm challenges, so they can pursue a prosperous and sustainable future.

We will partner with government agencies including the Department of Agriculture, Water and the Environment, the National Drought and North Queensland Flood Response and Recovery Agency, Rural Financial Counselling Service, industry groups and other organisations. This will help broaden our reach, build on our capabilities and increase the number of farm and farm-related small businesses we support.

While we are a government-backed finance provider, we do not compete with the banks or other financial institutions. Instead we complement them. We work with the banks to help those eligible farm and farm-related small businesses receive the finance they need to better position their business for future growth and increase their resilience in the face of forthcoming challenges.

To meet the government’s commitment to the sustainable development of Australia’s water resources and integrating our water infrastructure to support the growth of regional Australia and meet the demands of a growing population, RIC will continue to engage with the Department of Infrastructure, Transport, Regional Development and Communications, the National Water Grid Authority and other key stakeholders, to influence state and territory investment in water infrastructure that will provide affordable water to our agriculture sector, increase water security and build resilience.

6 List of requirements

This Corporate Plan has been prepared in accordance with the requirements of subsection 35(1) of the PGPA Act; and the PGPA Rule 2014. The table details the requirements met by the RIC’s Corporate Plan and the page reference for each requirement.

Requirement	Page
Introduction	i
– Statement of preparation	
– the reporting period for which the plan is prepared	
– the reporting periods covered by the plan	
Purposes	3
Key activities	4
Operating context	7
Environment	7
Capability	7,8
Risk oversight and management	9,10
Cooperation	11
Performance	5,6



RIC Customer, Chris Blunt (R) standing in front of a new solar bore pump with his son Nick.




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