

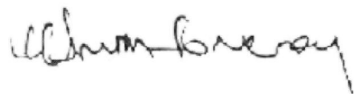
Corporate Plan

2021/22



Introduction

As Chair of the Board, and as the organisation's Accountable Authority, I present the Regional Investment Corporation's Corporate Plan 2021-22, which covers the period 2021-22 to 2024-25, as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).



Karen Smith-Pomeroy
Chair of the Board
Regional Investment Corporation

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Contents

Introduction	i
1. Message from the Chair	1
2. Message from the CEO	2
3. Strategic Overview	3
4. Performance	5
5. Operating Context	8
5.1 Environment	8
5.2 Capabilities	9
5.3 Risk oversight and management	10
5.4 Cooperation	13
6. Appendix - list of requirements	14

1 Message from the Chair



In the three years since the RIC's inception, loans valued at more than \$3 billion have been approved for Australian farmers and farm-related small businesses. Volumes of business have grown exponentially with \$155 million approved in the first year, \$715 million in the second and more than \$2.12 billion approved in 2020-21.

In 2021-22 we will continue the provision of loans that support and encourage long-term resilience and sustainability of Australian farm businesses. We will also continue to provide targeted support to a sector of the agriculture industry via our AgriStarter Loans which were launched on 1 January 2021 and available for new farmers and farm business succession planning. A new Plantation Loan product will launch during 2021-22 to encourage new plantations and replanting of bushfire-affected plantations.

As RIC loan demand begins to stabilise, we are focused on managing our loan portfolio of more than 2,770 approved loans as at 30 June 2021. This shift represents a new strategic phase of the RIC's operations from processing loan applications to managing ongoing customer relationships.

Our 2021-22 performance measures include:

1. requiring that loan transactions be completed in accordance with funding appropriation and target timelines,
2. the delivery of improved capabilities to meet the emerging needs of the business,
3. and increased customer and stakeholder satisfaction.

We are proud to assist thousands of Australian farmers and farm-related small businesses through the provision of affordable finance over the past three years. We know that when individual farmers benefit there is a positive flow on impact to the whole regional community. We are pleased to be part of building a stronger regional Australia.

A handwritten signature in black ink, which appears to read 'Karen Smith-Pomeroy'.

Karen Smith-Pomeroy
Chair

2 Message from the CEO



We have seen a huge amount of change across the organisation in our third year. In 2021-22 we will be focused on improving efficiency of loan processes and customer service. We have also been tasked by the Australian Government to deliver the new Plantation Loans this year following a \$37.5 million allocation of existing RIC loan funding and an additional \$800,000 to administer the new Plantation Loans.

We will evolve our operating model to support ongoing customer relationship monitoring and repayment management as loans mature and interest repayments fall due for our customers with interest-free terms.

A further financial year objective is to strengthen delivery of our functions and improve capabilities to meet the emerging needs of the business. To achieve this, we will continue to deliver major components of our transformation program enabling us to be a scalable delivery agency for government.

This includes improvements to our customer relationship management platform, building more digital touchpoints for our customers, automating processes and deploying a new Enterprise Resourcing Planning system to improve the productivity of our back-office teams.

These improvements will allow us to better provide financial support to customers to grow their farm businesses.

As our loan portfolio begins to mature, we will work with our stakeholders and customers to gather insights about how our loan products are supporting the agricultural economy and identify opportunities to support a stronger regional Australia.

A handwritten signature in dark ink, reading "B. King". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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 new plantation developments 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 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 and flood recovery loans.

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

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

Program Delivery:

Concessional loans are delivered directly to eligible farm and forestry businesses in a streamlined and nationally consistent way.

Strategic Objectives and key activities against each objective, 2021-2025:

- 1) Unlock potential to deliver support to rural and regional Australia through concessional finance;
- 2) Improve capabilities to meet the emerging needs of the business

Key Activities 2021-25:

- Key activity A: We will deliver our loans in accordance with appropriations and timelines
- Key activity B: We will manage the risk and assurance in the loan portfolio
- Key activity C: We will implement a transformation program
- Key activity D: We will increase customer and stakeholder satisfaction and better manage expectations
- Key activity E: 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 Regional Investment Corporation (RIC) continued to evolve throughout 2020-21. We approved more than 1,980 total loans for the financial year valued at over \$2.1 billion and we launched the new AgriStarter Loans to establish or purchase a new farm business or succession planning.

Demand for RIC loan products peaked in September 2020 prior to the Drought Loans interest free terms ending, and our Future Drought Fund role has increased as more projects are announced.

In 2020-21 the Australian Government announced we would no longer be required to administer the National Water Infrastructure Loan Facility (NWILF).

We continue to monitor our evolving environment and have refined our objectives, key activities and forward planning to adapt so they're fit for purpose.

The RIC's 2021-22 Corporate Plan reflects the following changes:

Our first objective *"Unlock potential to deliver support to rural and regional Australia through concessional finance"* is reframed to recognise our important partnership with farm and forestry businesses to improve outcomes for rural and regional Australia. Our concessional loans will continue to play a key role in assisting farm businesses to realise their full potential.

The second objective, *"Improve capabilities to meet the emerging needs of the business"* remains a focus. We recognise our service delivery and customer satisfaction can be improved, and that there is more we can do. We will continue to develop and improve our loan product delivery, customer service and key stakeholder engagement.

RIC Customers
Lorna, Graham and Tia Jones
Great Southern WA



While our objectives will remain stable over the prior and future reporting periods, our activities are updated to reflect the improvements achieved during 2020-21.

Key activity A: *We will deliver our loans in accordance with appropriations and timelines*

Our data management and loan data access have matured over 2020-21 and we have increased our capability to monitor and measure expenditure and timeliness of delivery. In 2021-22 and beyond we will leverage these achievements and continue to deliver our loans within the funding envelopes set by the Australian Government for our loan products. Our improved data access also supports us to better measure and report on loan processing timeframe improvements.

Key activity B: *We will manage the risk and assurance in the loan portfolio*

Changes in this activity reflect a shift in our enterprise risks and a new capacity to leverage improvements achieved in prior years. During 2020-21 we introduced a new enterprise risk to deal with the potential for bad and doubtful debts to emerge in the loan portfolio. To mitigate this risk we have augmented our loan audit and compliance checks through the introduction of the *RIC Compliance and Assurance Strategy 2020-24*¹. Armed with a sharper understanding of potential risks, and with the implementation of a new compliance and assurance capability, we will now shift our focus to monitoring, reporting and mitigating loan portfolio risks.

Key activity C: *We will implement a transformation program*

During 2020-21 we implemented a number of immediate process improvements that are already delivering customer benefits. We will leverage these improvements through a broader, coordinated program of work that will implement new technology and automation across the organisation, facilitating further improvements to our processes and delivery timeframes.

Key activity D: *We will increase customer and stakeholder satisfaction and better manage expectations*

In 2021-22 and beyond we will continue to focus on improving our customer satisfaction and managing their expectations. We believe that customer satisfaction goes beyond providing information and, over the course of 2020-21, we have achieved considerable loan processing timeframe improvements. These achievements allow us to broaden our focus on customer satisfaction beyond our processing timeframes.

Key activity E: *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.*

We continue to focus on strong stakeholder engagement to build mutual understanding of their needs and our services. For 2021-22 and beyond we have realigned these efforts to our Key Activity D.

¹ The implementation of the Compliance and Assurance Strategy 2020-24 also satisfies recommendation 3 from the ANAO review into the Design and Establishment of the Regional Investment Corporation

Objective	Achieved through	Performance Criteria	Performance Measures	Targets 2021-22 & beyond
Unlock potential and deliver support to rural and regional Australia through concessional finance	Key Activity A & Key Activity B	Loan transactions are completed in accordance with funding appropriation and delivery timeframes	<ul style="list-style-type: none"> - Number and value of farm business loans provided - Support available to the forestry industry - Risk is managed within accepted tolerances - Loan processing timeframes 	<ul style="list-style-type: none"> - Support is provided within funding appropriation limits - Plantation Development Loan is implemented - 90% of loan decisions are consistent with the loan appetite - Financial risk management program is implemented - 80% of farm business loans are processed within 65 RIC handling days *
<i>Data source: RIC loan data, compliance checks and audit findings, financial results</i>				
Improve capabilities to meet the emerging needs of the business	Key Activity C	Improved capabilities to meet the emerging needs of the business	<ul style="list-style-type: none"> - Implementation of the transformation program - Delivery services within approved funding (efficiency) 	<ul style="list-style-type: none"> - Loan application management system is implemented - Data capture and reporting arrangements are improved - Information Governance and Records Management system is implemented - Enterprise Resource Planning system is implemented - Operating results are within approved budgets
<i>Data source: RIC management statements and financial results</i>				
	Key Activity D & Key Activity E	Customer and stakeholder satisfaction	<ul style="list-style-type: none"> - Improved customer satisfaction - Improved stakeholder satisfaction 	<ul style="list-style-type: none"> - Increase in satisfaction rates and Net Promoter Score (NPS)
<i>Data source: Customer and stakeholder surveys</i>				

*80% in 65 days processing time excludes Plantation Loans

5 Operating Context

5.1 Environment

Our operating environment is primarily influenced by the Australian agricultural outlook, environmental factors and broader economic and regional conditions.

In 2021-22 the gross value of agricultural production is expected to reach \$65 billion² favoured by improved seasonal conditions in many drought-affected areas, high livestock prices and increased grain exports encouraging adaptable farm business management, strengthening business operations and improving resilience and profitability.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) June quarter 2021 Agriculture Commodities report assesses that initial disruptions to exports and food demand during the COVID-19 pandemic were managed and resulted in relatively minor impacts on the sector, although a shortage of farm labour and seasonal workers and fall in demand for wool, cotton and vegetable oils³ remain ongoing challenges.

Going forward, we recognise that farm businesses will continue to be exposed to significant risk and the need to manage environmental challenges, climate conditions and markets. Our operations remain driven by our objective to provide concessional loans that support the long-term strength, resilience and profitability of Australian farm and farm-related small businesses.

In 2021-22, we will continue to provide our existing loans while constantly scanning the environment for opportunities to develop and improve our products and services. We will be working with the Australian Government to develop and provide a new Plantation Development Concessional Loan to assist the development and expansion of Australia's plantation estate. These loans will also support the replanting of plantation areas damaged in the 2019-20 bushfires.

We will engage with our stakeholders to ensure that our products support the growth of the Australian agricultural economy and contribute to a stronger regional Australia. Our capabilities will be complemented by the work of the Department of Agriculture, Water and the Environment, given its responsibilities for broader agriculture policy and programs.

² ABARES 2021, Agricultural commodities: June quarter 2021, Australian Bureau of Agriculture and Resource Economics and Sciences, Canberra

³ ABARES 2021, Agricultural commodities: June quarter 2021, Australian Bureau of Agriculture and Resource Economics and Sciences, Canberra

5.2 Capabilities

We are committed to building on our foundations to further develop 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.

We continue to promote a vibrant culture of integrity and adherence to the RIC values and Code of Conduct and support the capability of our executive leaders who will undertake a leadership program and we expect them 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.

We continue to develop our workforce planning initiatives across the RIC in order to align roles and responsibilities to support the ever-changing nature of our business. The workforce planning initiatives will improve efficiencies and underpin strategies to ensure accurate resourcing in key areas over both the short and long-term horizon in meeting the needs of both the loan products and customer. The RIC continues to support and extend opportunities for secure, decentralised, remote and flexible work environments for all our staff throughout Australia.

To support these workforce planning initiatives and continue to improve workforce efficiency, we are deploying a number of new systems through a coordinated transformation agenda, including the implementation of a loan application life-cycle and customer relationship management system, a records management system and an integrated finance, payroll and human resources platform. Underpinning this commitment is continued investment in enabling technologies and cyber security to effectively, efficiently and securely deliver policy and program objectives in flexible, digitally enabled workspace.

Our transformation program will serve to enhance our collaboration, optimise internal communication streams and create solutions to drive results for our customers.

As part of this transformation program, we are progressing implementation of our transformation program, maturing the RIC as a customer centric, high-performance and evidence-based organisation underpinned by technology to achieve scale and respond to demand. This is being 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 and improved customer experience.

The success of the transformation program will draw on strong foundations established in the previous financial year. In 2021-22 we move forward with a well-developed and resourced Project Management Office (PMO). The PMO has embedded an 'Agile' project management practice as a key capability at the RIC which will be leveraged to deliver the ongoing transformation program and also position us as an adaptable government delivery agency that stands ready to respond to emerging policy requirements. Key technology developments scheduled in 2021-22 include

the loan application management system where workflow can be actively monitored and reported, a new Enterprise Resource Planning system and to improve information governance and records management.

5.3 Risk oversight and management

We recognise that risk is inherent in our environment and operations and we apply a positive approach to identifying and managing it. As a Corporate Commonwealth Entity, we are not bound by the Commonwealth Risk Management Policy (CRMP). However, we apply the CRMP as a better practice guide and adopt its core elements into our own Risk Management Framework and Policy.

Risk management is implemented and monitored by the Executive Leadership Team and overseen by the RIC Audit Committee and RIC Board. Our enterprise level risks are reviewed and updated regularly.

The RIC has a zero tolerance for fraud and works with the Commonwealth Fraud Control Centre to maintain the organisation's awareness of the threat, risk and consequence of fraudulent behaviour and the strategies and processes available to mitigate the impact of those behaviours.

The most recent RIC Board review has resulted in an update of our enterprise risks for 2021-25. We have identified 10 enterprise level risks to be monitored and managed throughout the reporting period. These risks are presented below and are monitored and adjusted in line with our Risk Management Framework and Policy.



Regional Investment Corporation Enterprise Risks 2021-25

Enterprise Risk	Key Mitigation Strategies
1. RIC loan programs do not deliver the intended benefit to rural and regional Australia, or the benefit cannot be demonstrated	<ul style="list-style-type: none"> • Providing regular lending activities and results reporting to the Executive Leadership Team, Department of Agriculture Water and the Environment and the Responsible Ministers • Conducting market research and case studies with RIC loan recipients • Providing advice to government on the impacts to rural and regional communities, including advice on policy settings • Conducting program monitoring and evaluation activities • Maintaining a national staffing footprint
2. The RIC makes inconsistent lending decisions leading to a loss in stakeholder confidence	<ul style="list-style-type: none"> • 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 • Conducting national engagement with stakeholders to inform future business development • Providing a review process to declined applicants and access to Australian Financial Complaints Authority (AFCA) • Conducting internal and external risk assessments and compliance and assurance reviews of lending decisions • Conducting market research and case studies with RIC loan recipients • Conducting staff training through a dedicated resource • Collecting and analysing loan data
3. The RIC cannot meet stakeholder expectations in relation to processing backlog 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 client and stakeholder messaging • Providing ongoing training and development of loan application processing staff • Undertaking internal credit policies and procedures improvement reviews • Conducting internal reporting and loan processing times monitoring • Maintaining an issues register to ensure oversight and management of reported issues • Undertaking a transformation program and implementing process improvement initiatives • Improving access to data and reporting to understand application status and progress through the application lifecycle
4. The RIC cannot meet stakeholder expectations in relation to processing of current files within expected timeframes	
5. The RIC does not have adequate resources to deliver on expectations	<ul style="list-style-type: none"> • Sourcing increased operating resources to meet demand • Working with stakeholders to secure additional staff through the budget process • Providing staff with flexible work arrangements • Engaging external expertise for talent identification • Undertaking internal learning and development activities for staff • Updating remuneration policy to include framework for engaging skilled people • Utilisation of contractor/agency personnel to assist with increased service delivery

6. The RIC loses operational capability	<ul style="list-style-type: none"> • Utilising secure, decentralised, remote and flexible ICT platforms • Providing staff with flexible work arrangements • Utilising internal communication platforms and culture • Maintaining ICT disaster recovery plans
7. That the Transformation program does not deliver the change intended – functional outcomes below expectation, timelines not met or delivering within approved funding	<ul style="list-style-type: none"> • Conducting monthly steering committee meetings and Board agenda standing item • Adopting an Agile project methodology to respond to changing business requirements • Maintaining a project risk management register and Risk, Action, Issue and Decision (RAID) log • Engage specialist staff with high level expertise • Utilising highly skilled contract labour workforce, including a change analyst
8. The reputation of the organisation and its consequent ability to deliver efficient and effective services is impacted by decisions of government	<ul style="list-style-type: none"> • Maintain a Memorandum of Understanding with the Department of Agriculture, Water and the Environment • The Board, CEO and management build relationships and maintain appropriate and regular interactions with the Department of Agriculture, Water and the Environment, and the office of the Minister for Agriculture and Northern Australia and the Minister of Finance • Development and implementation of an engagement strategy • Provision of high quality advice to the Board and the government • Be responsive to issues and their resolution • The Board undertakes its specific role in providing Future Drought Fund advice to the Minister for Agriculture and Northern Australia, and deals appropriately with actual or potential conflicts of interest in accordance with its approved policy • Investment in transformation and improved systems to more easily scale the business in response to demand and new programs
9. The RIC approves loans in excess of the government's approved funding profile	<ul style="list-style-type: none"> • Providing monthly reporting to Executive, the Board and Department of Agriculture, Water and the Environment • Conducting monthly meetings with Department of Agriculture, Water and the Environment • Establishing clear legal assurance that funding is not committed until a loan has been formally approved • Obtaining assurance from the Department of Agriculture, Water and the Environment that funding is available to cover RIC lending decisions
10. The level of bad and doubtful debts is higher than expected	<ul style="list-style-type: none"> • Collecting and analysing loan data • Ensuring detailed eligibility criteria in the loan program guidelines to facilitate consistent decisions in accordance with risk appetite, internal policies and procedures • Conducting internal and external risk assessments and compliance and assurance reviews of lending decisions • Conducting staff training through a dedicated resource to ensure relevant expertise

5.4 Cooperation

The purpose of our loans is to encourage growth, investment and resilience in Australian farm businesses and regional communities through our concessional loans. Our loans can help to get farmers back on their feet and invest in their business to return to sustainability over the term of the loan.

Our loans are a partnership between the RIC, our customers and their commercial bank. In 2021-22 we will continue to strengthen our relationship with commercial banks, particularly regarding the settlements phase of the loan process which involves a more complex approach involving the RIC, customers and their commercial banks.

We also rely on a strategic partnership network with the Department of Agriculture, Water and the Environment, the National Recovery and Resilience Agency, Rural Financial Counselling Service, industry representative groups and trusted advisors to make our loan information available to as many farmers and farm-related small business as possible.

COVID-19 has challenged our traditional ways of engagement such as attending conferences, events and field days so we have been using technology and leveraging key stakeholder networks to expand our reach. We will keep building our engagement strategy over the coming 12 months to investigate new and more innovative ways of improving cooperation in our current environment to support our customers.



RIC Customer
Andrew Leslie
Northern Rivers NSW

6 Appendix- list of requirements

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	8
Environment	8
Capability	9
Risk oversight and management	10
Cooperation	13
Performance	5



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