



Australian Government



Regional Investment Corporation

Annual Report

2020/21



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Transmittal letter



Australian Government



REGIONAL
INVESTMENT
CORPORATION

The Hon. David Littleproud MP
Minister for Agriculture and Northern Australia
Parliament House
CANBERRA ACT 2600

Senator the Hon. Simon Birmingham
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear Ministers

Regional Investment Corporation Annual Report 2020-21

I am pleased to submit to you the 2020-21 Annual Report for the Regional Investment Corporation (RIC). This report has been prepared in accordance with the Regional Investment Corporation Act 2018 (RIC Act), the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

The report includes annual performance statements prepared in accordance with subsections 39(1) and (2) of the PGPA Act, and audited financial statements prepared in accordance with sections 41 and 42 of the PGPA Act.

The report is made in accordance with a resolution of the RIC Board on 29 September 2021 which is responsible under section 46 of the PGPA Act for presenting an annual report to you, for presentation to the Parliament, on the RIC's activities during the period.

I am pleased to report the RIC's considerable achievements in the delivery of loans, made available through the Commonwealth Farm Business Concessional Loan Facility, during the 2020-21 reporting period. I also gratefully acknowledge the efforts made by staff across the RIC toward those achievements.

Yours sincerely,

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

Karen Smith-Pomeroy Chair of the Board

1. Introduction

1.1 Chair's report



The 2020-21 financial year has tested us in many ways with higher demand caused by Australia's worst drought on record. I'm proud we have emerged stronger and more effective – with our customers at the heart of everything we do.

While COVID-19 has occupied most of our lives throughout the year, we can't forget that Australian farmers continue through the drought cycle and their recovery may take many more years.

Our interest-free Drought Loan terms provided a much-needed lifeline to thousands of Australian farmers, with more than \$2.1 billion in loans approved in the 2020-21 financial year. This demand put pressure on the RIC's resources and time to deliver loans, which was exacerbated by the rush of loan applications before the terms ended on 30 September 2020.

Building a scalable and dynamic organisation

Our organisation began evolving in the 2020-21 financial year as we considered what we need to be a scalable and dynamic organisation delivering effective government policy.

With an additional \$50 million in operational funding allocated by the Australian Government over four years, the RIC has invested in resources and technology to make it easier and faster to apply for a RIC loan. To do this we have made changes to the way we work to process and manage loan applications and deliver our loans to customers.

On 1 January 2021 we began to support new demographics with the launch of the AgriStarter Loan for new farmers and farm succession planning. This loan supports the next generation of Australian farmers by providing access to concessional finance during the critical first few years of their farm business.

The Australian Government also announced the RIC will deliver the new Plantation Loan in its 2021-22 Budget. It included an additional \$800,000 to administer \$37.5 million of existing RIC loan funding. We are working with the Australian Government to deliver the new loan in the 2021 calendar year. The product will encourage new plantations and replanting bushfire damaged plantations.

Delivering on our strategic objectives

Our 2020-21 strategic objectives were to deliver support to rural and regional Australia through concessional finance and strengthen the delivery of our functions. With more than \$3 billion now approved since the RIC's inception in July 2018 for loans to support the long-term strength, resilience and profitability of Australian farmers and farm-related small businesses.

The strategic objectives were measured by delivering loans within the appropriated funding and reducing the loan processing time to 65 RIC-handling days for 80 per cent of our loans.

By the end of the 2020-21 financial year our loan applications received since October 2020 were within funding limits and on track to be delivered within the target timeframe. Our cost per loan required adjustment and increased in response to loan demand.

Our customer and stakeholder satisfaction improved for the most part, except with our processes which we recognise has been an issue and are addressing. We didn't reach our target 10 per cent improvement yet are pleased to see increases in customer and stakeholder satisfaction with our people, and our Net Promoter Score increased overall.

Board focus and changes

Our Board's focus over the past 12 months has been on improving our risk management policies in preparation for the maturing loan portfolio and interest payments falling due. Improved data monitoring and reporting capability are providing us with good insights on the loan portfolio to better understand our customers and their needs.

We are focused on making sure RIC loan funding is available for farmers in financial need of a concessional loan to return to viability over the term of the loan.

I would also like to thank outgoing inaugural RIC Board members Lucia Cade and Mark Lewis whose terms ended on 28 June 2021. Lucia and Mark joined us in March 2018 so have been an integral part of establishing and guiding the RIC through the past three years. The Australian Government will appoint their replacements in the 2021-22 financial year.

1.2 CEO's report



The past 12 months have been a challenging and rewarding time for the RIC as we responded to the high demand for our Drought Loans throughout the financial year.

We were established just over three years ago to process a maximum 500 loans per year. However, we grew to the point where we received almost 1,300 loan applications in September 2020 alone before our interest-free terms ended.

This put pressure on our timeframes and slowed the processing of loan applications which is not acceptable for our customers. I'm pleased to say by 30 June 2021 we provided a decision on all the loan applications we could that were received during this peak demand period.

Towards the end of 2020 our loan demand began to stabilise to be more in line with the forecasting of an annualised 300 to 500 per year. We continue to make some fundamental changes to the way we are structured and operate to ensure we are a scalable and dynamic organisation that can respond quickly to government and customer requirements.

Loan service delivery

In 2020-21 we approved more than 1,980 loans valued at over \$2.13 billion for Australian farmers and farm-related small businesses and we settled more than 870 loans valued at over \$922 million.

In November 2020 the Australian Government appropriated an additional \$50 million over four years to assist with the increased loan demand. This enabled us to increase our workforce from 45 staff in July 2020 to a peak of 116 staff by March 2021, mostly comprising staff from rural and regional Australia.

The additional funding also enabled us to invest in technology to make it easier and faster to apply for our loans and the online AgriStarter Loan application form was launched in early February 2021.

For applications received since 1 October 2020, 91 per cent have been closed out within 65 RIC-handling days, with a median time to decision of 30 RIC-handling days and settlement of 46 RIC-handling days.

Operating environment

Amidst the challenges presented by the COVID-19 pandemic the RIC team has been equipped to work remotely ensuring business continuity for our customers. Our traditional on-the-ground engagement model has been challenged as events and field days have been cancelled, yet we have used technology, webinars, and strategic partnerships to reach our networks.

Between December 2020 and February 2021, we welcomed our new Executive Directors Paul Dowler Executive Director Corporate Services, Alli Gartrell Executive Director Program Delivery and Chris Rawlins Executive Director Transformation and Engagement to take us forward in our next phase of operations.

We also launched the new AgriStarter Loans to assist first time farmers and support farm succession arrangements on 1 January 2021, delivering on our 2020-21 Corporate Plan performance target to develop and release the loan.

Throughout 2020-21 we have been working with the commercial banks to improve the loan process from application to settlement. Commercial banks have an important role in our loans where they can assist us to keep loan processing time to a minimum, so we see them as a partner with a long-term interest in the financial success of our customers.

Outlook

With drought conditions easing across large parts of Australia and the interest-free terms ending last year we are seeing a more stable and predictable ongoing demand for our loans. This more business-as-usual environment is enabling us to test the strength of the process changes we have put in place and make them more efficient where we need to.

Our core operations are also undergoing some fundamental changes from processing loan applications to managing the loan portfolio and repayments as they fall due when loans currently on interest-free terms mature.

We also know Australia's drought cycle continues and while some are in the recovery phase our Drought Loans are here to help farm businesses build resilience and increase their efficiency, so they're better equipped for future drought events.

We will be launching the new Plantation Loan and are pleased to be supporting new sectors of Australia's agricultural economy. The Plantation Loan will support the forestry industry's goal to increase domestic wood supply by planting a billion new plantation trees over the next decade.

Conclusion

We are proud to provide important financial support to rural and regional Australia and regularly hear from customers their RIC loan has been the reason they're still here today after it helped them get back on their feet in tough times.

We have more work to do yet we have also come a long way in our three short years of operations and I'm looking forward to seeing what more we can achieve in the next financial year.



RIC Customers
Graham, Lorna and Tia Jones
from Great Southern WA

1.3 Year in review

Farm Business Loan results for the 2020-21 financial year as at 30 June 2021



We approved 1,983 total loans
valued at **\$2,140 million**



We approved 1,814 Drought Loans
valued at over **\$2,017 million**



We approved 109 AgBiz Drought Loans
valued at over **\$31 million**



We approved 34 AgRebuild Loans
valued at over **\$75 million**



We approved 14 Farm Investment Loans
valued at **\$10 million**



We approved 12 AgriStarter Loans
valued at **\$7 million**



Our approval rate for the financial year
is approximately 77% of total loan decisions



RIC Customer
Sam Elphinstone from
Latrobe, Tasmania

Interest rate changes across the 2020-21 period

	Farm Business Loans
FY 2020-21 start	2.11%
1 Aug 2020	1.92%
1 Feb 2021	1.77%
1 Aug 2021	2.17%

Interest rates for RIC loans are set in accordance with the Regional Investment Corporation Operating Mandate Direction 2018.

Interest rates are reviewed every six months. The RIC's interest rate adjustments are determined by the Commonwealth 10-year bond rate averaged over six months and include an operating cost margin.

RIC Drought Loans and AgBiz Drought Loans were offered with two-year interest-free terms until 1 October 2020.

Applications by LGA received since inception up to 30 June 2021



New programs and announcements

The RIC supports the Australian Government's commitment to the future prosperity of rural and regional Australia. We are committed to ensuring farm businesses and farm-related small businesses are well positioned to prepare for, manage through, and recover from adverse conditions including drought.

AgriStarter Loan

On 1 January 2021, the RIC launched its AgriStarter Loan to support new farmers to purchase, establish or develop their first farm business, or assist existing farm businesses with succession planning arrangements.

The AgriStarter Loan allows up to \$2 million to be borrowed over 10 years with at least 50 per cent of an applicant's total debt required to be held with a commercial lender. The first five years of an AgriStarter Loan are interest only, then the remaining five years include principal and interest repayments.

The interest only repayments, at a concessional rate, allows successful applicants to focus on establishing their farming operation and their cash flow as well as invest in infrastructure and machinery.

Future Drought Fund

The Australian Government's Future Drought Fund (the Fund) was established to finance initiatives that enhance future drought resilience, preparedness and response across Australia as provided for under the Future Drought Fund Act 2019 (the Act).

From 1 July 2020, the Fund made \$100 million available each year for initiatives that strengthen the drought resilience of Australian farms and communities.

In support of the Australian Government's Future Drought Fund, the RIC Board provides independent advice to the Minister for Agriculture and Northern Australia on the distribution of these funds. This is to ensure the funding arrangements are consistent and in accordance with the principles outlined in the Future Drought Fund's 2020-24 Drought Resilience Funding Plan.

For the 2020-21 financial year, the Board responded to eight formal requests for advice from the Minister encompassing a broad and varied range of drought resilience initiatives for regional communities and individual farm businesses.

Cessation of two-year interest-free period for Drought Loans and AgBiz Drought Loans

With drought conditions easing across many areas, on 22 July 2020 the Australian Government announced that it would cease the two year interest-free period for Drought Loans and AgBiz Drought Loans (Small Business Drought Loans) from 1 October 2020.

Prior to 1 October Drought Loans and AgBiz Drought Loans were offered on interest-free concessional loan terms where no principal or interest is payable in the first two years, followed by three years interest only and five years principal and interest payments. The announcement of the pending cessation of the interest-free terms led to a significant increase in the demand for Drought Loans, most significantly in September 2020 when the RIC received 1,294 applications in that month.

To meet this demand the Australian Government added an additional \$2.075 billion to the Farm Business Concessional Loan Facility providing a total facility of \$4.075 billion to fund RIC loans. To deliver the higher volume of loans the RIC was also provided with an additional \$50 million in operational funding, over 4 years.

From 1 October 2020 Drought Loans and AgBiz Drought Loans were offered on concessional loan terms where interest only is payable over the first five years, and principal and interest repayments are required over the final five years of the 10-year loan term.

National Water Infrastructure Loan Facility (NWILF)

The Australian Government's Budget 2020-21 announced that the RIC was no longer required to administer the NWILF.

Improvement initiatives

In the latter half of 2020 the Board endorsed the RIC Transformation Strategy. The strategy aims to deliver a scalable and dynamic delivery model, ownership and continued improvement of the customer experience and enabling infrastructure to drive better customer outcomes and efficiency.

The RIC has since implemented an effective Project Management Office (PMO) which has established an agile way of working that supports flexible and fast delivery of our Transformation initiatives. A strong governance model is in place ensuring that project activity is guided by the needs of our Board and external stakeholders.

Significant milestones have been achieved in the PMO's first year of delivery. Our customer experience has been improved with digital application forms for all our products now available on our website; a new Customer Relationship Management (CRM) system that has improved our staff's productivity and redesigned processes have simplified how we work.

Our back office infrastructure has been strengthened with standard operating procedures developed with many commercial banks; a new data lake and analytics tools that have improved data integration and reporting; and scoping completed for improved finance and human resources systems.

Through the next reporting period the RIC will continue to build on our transformation capability. This will raise our level of operational independence, continue to build on improvements to our customer experience, increase our capacity to respond to new policy needs and build a strong technology infrastructure to support a dynamic and scalable operation.

Stakeholder engagement

To assist stakeholders in understanding RIC loans and processes, interaction with stakeholders was important as the organisation launched a new product, received a high volume of applications, implemented process improvements and processed applications.

During the period the RIC expanded our networks and deepened relationships as we engaged banks, local and state and federal government departments, industry bodies, the Rural Financial Counselling Service, customers, and their trusted financial advisors. This engagement was supported by communication activity and digital engagement.

Our Engagement Managers provided vital feedback from stakeholders which informed the organisation on local conditions and customer needs. When we were able, face-to-face engagements and major events were attended across the nation. Due to COVID-19 restrictions, the RIC responded quickly replacing planned face-to-face engagements with a series of webinars, ensuring key stakeholders were kept informed during the period.

2. Organisational overview

2.1 Authority, purpose and direction

The RIC began operations on 1 July 2018 under the Regional Investment Corporation Act 2018 (RIC Act).

The RIC is a Corporate Commonwealth entity governed by an independent board appointed by, and accountable to, the Minister for Agriculture, and the Minister for Finance.

Our purpose is 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.

Our primary function under the RIC Act is the administration of farm business loans.

Administration of farm business loans	<p>On behalf of the Australian Government we administer farm loans to help farmers support their long-term strength, resilience, and profitability.</p> <p>Administration of farm business loans includes:</p> <ul style="list-style-type: none">• providing such loans to farm businesses, subject to relevant lending criteria being satisfied• consulting with commercial lenders and other industry bodies representing persons likely to seek a loan• determining, in accordance with the strategies and policies decided by the Board, the terms and conditions on which approved loans are provided• managing approved loans.
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The RIC's responsible Ministers are the Minister for Agriculture and the Minister for Finance. During the reporting period, these roles were filled by The Hon. David Littleproud MP, Minister for Agriculture and Northern Australia, Senator the Hon. Mathias Cormann, former Minister for Finance until October 2020, and Senator the Hon. Simon Birmingham, current Minister for Finance.

The RIC was subject to multiple ministerial directions during the reporting period:

1. Regional Investment Corporation (Agristarter Loans) Rule 2019. The RIC complied with this direction to offer loans to new entrants to farming business, and farm businesses seeking to engage in succession arrangements.
2. Regional Investment Corporation (Small Business Drought Loans) Rules 2020. The RIC complied with this direction to offer loans to drought-affected small businesses.
3. Regional Investment Corporation Operating Mandate Amendment (Drought and Small Business Drought Loans) (Cessation of Interest-Free Period) Amendment Instrument 2020. The RIC complied with this direction to cease offering interest-free terms to eligible farm businesses and eligible small businesses that submitted an application on or after 1 October 2020.
4. Regional Investment Corporation Operating Mandate Amendment (National Water Infrastructure Loan Facility) Directions 2020. The RIC complied with this direction to no longer administer the National Water Infrastructure Loan Facility.

5. Regional Investment Corporation (Drought Loans Expansion) Rule 2020. The RIC complied with this direction to offer Drought Loans to farm businesses affected by drought but not located within the eligible area map.

No government policy orders were issued to the RIC under section 22 of the PGPA Act during the reporting period.

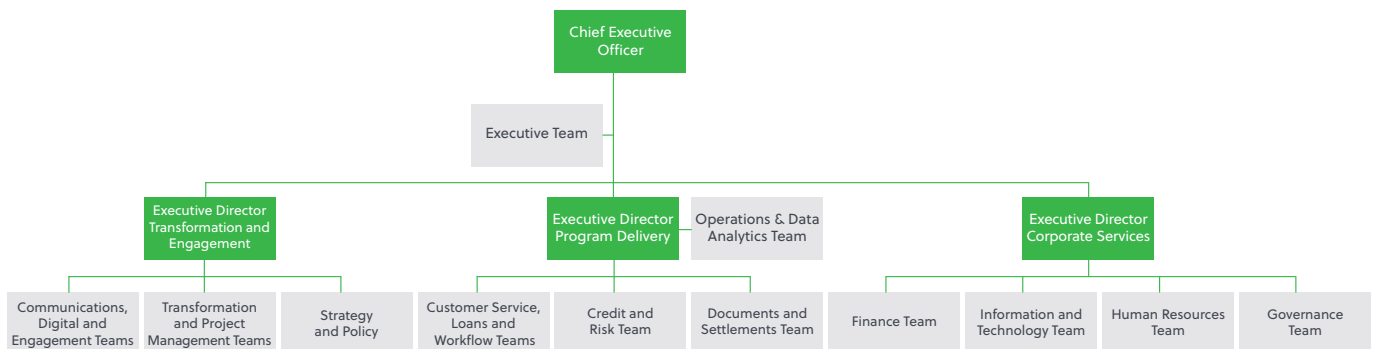
2.2 About our organisation

Location

Our operating locations keep us connected to our customers. The RIC operates from its headquarters in the regional community of Orange NSW. Our Engagement Managers cover the entire nation operating from their bases in Queensland, Tasmania and Western Australia. We also have a broad network of loan assessors and administrative staff operating from rural and regional locations across Australia.

Organisational structure

In October 2020, the RIC implemented a new organisational structure to improve organisational scalability and increase role alignment and decision-making speed, with the goal of improving the customer experience. This structure was further reviewed and updated throughout the reporting period to reflect the changing needs of the business. Below is the structure as at 30 June 2021:



Workforce profile

At 30 June 2021, ongoing RIC staff were geographically spread across New South Wales, Queensland, the Australian Capital Territory, Western Australia, South Australia and Tasmania.

During 2020-21 the RIC undertook a rapid expansion of its workforce to meet the significant increase in demand for the Drought Loan. At the end of the reporting period the RIC engaged 57 ongoing employees, 42 non-ongoing employees and 20 labour hire contractors. When compared with 2019-20, this represented an overall increase of 65 employees and 3 labour hire contractors.

A detailed breakdown of our workforce profile, including our gender and geographic diversity, is provided at Appendix 2.

2.3 Executive remuneration

CEO & Board remuneration

The RIC Board and CEO are remunerated according to the determination of the Commonwealth Remuneration Tribunal. Statutory superannuation is paid in addition to the fees set by the Tribunal.

Remuneration and Work Conditions Policy and Procedure and Industrial Instruments

The terms and conditions of employment for RIC employees are set out in their Letters of Offer, Employment Agreement, the Australian Government Industry Award 2016 (Award) and the Public Sector Workplace Relations Policy 2020. The RIC's Remuneration and Work Conditions Policy and Procedure sets out remuneration information for RIC employees and includes the RIC's classification structure, salary on commencement, salary increases and payment of salary and references the related internal policies and procedures.

RIC Senior Executive (RSE) remuneration

The RIC Executive Directors are employed in accordance with the RIC's Remuneration and Work Conditions Policy and Procedure, Letters of Offer, Employment Agreement, the National Employment Standards and the Public Sector Workplace Relations Policy 2020. Executive Directors are paid in accordance with the RSE band contained in the RIC's Remuneration and Work Conditions Procedure. The RSE salary does not have formal increments, rather is negotiated based on capability, experience and performance.

Other highly paid staff

There were no staff members classified as other highly paid staff for this period.

See Appendix 2 for remuneration details of the RIC's Key Management Personnel, Senior Executives, and other highly paid staff.

2.4 Corporate governance

The RIC's corporate governance framework provides a sound basis for decision making and supports the RIC in achieving our objectives. Our governance framework promotes accountability, transparency, ensures risks are managed and key stakeholder relationships are supported.

Our governance framework includes:

- the legislative foundation provided by the Regional Investment Corporation Act 2018, and various subordinate instruments, and relevant sections of the Public Governance, Performance and Accountability Act 2013
- two responsible Ministers, an independent Board and a Chief Executive Officer
- an Audit Committee and internal audit function to provide independent advice and assurance on the RIC's activities
- a risk management and fraud control framework
- a planning, performance and reporting framework.

RIC Board

The RIC Board is the Accountable Authority under the PGPA Act. The Board decides the RIC's objectives and strategic direction and ensures that it fulfils its statutory functions. In accordance with the RIC Act, the Board must meet at least four times per year. In the reporting period it met on 11 occasions and attended to 19 matters out of session.

The Board provided leadership across a number of areas including:

- regularly reviewing performance against targets and setting strategic goals for future years
- approving changes in interest rates in accordance with interest rate methodology
- discharging its advisory role under the Future Drought Fund Act 2019
- overseeing all guidelines associated with new and changed loan products
- renegotiation of the Lending Service Provider contract
- formulation of the RIC's Transformation Strategy
- overseeing the allocation of additional government funding and making adjustments to the RIC's operating model to expedite processing of the loan application backlog
- receiving regular updates from the RIC Audit Committee on matters of governance and compliance
- monitoring corporate governance matters such as enterprise risk, finances, people and culture.

On 28 June 2021, the RIC Board farewelled members Mark Lewis and Lucia Cade when their appointment terms came to an end. Mark and Lucia commenced with the RIC on 29 March 2018 as inaugural members of the Board. Both made a valuable contribution to the establishment and oversight of the RIC.

Appendix 1 provides details of the Accountable Authority during the reporting period.

Board composition during financial year 2020-21



Ms Karen Smith-Pomeroy
Chair



Ms Prue Bondfield



Mr Mark Lewis



Ms Lucia Cade



Ms Sharon Starick

RIC Audit Committee

The Audit Committee is a subcommittee of the Board and was established in July 2018. The Committee consists of two Board members— Lucia Cade and Mark Lewis—and two independent members—Tim Youngberry (Chair) and Emily Canning.

Mark and Lucia's Committee appointments expired on 28 June 2021 in line with the expiration of their Board appointments.

The Audit Committee's Charter (available at ric.gov.au/reporting) outlines its role in providing independent assurance to the Board on financial and performance reporting, systems of risk oversight and management and systems of internal control.

During the reporting period the Committee met five times and played an important role in overseeing the RIC's internal audit program and financial statements audit process, as well as ongoing analysis and review of enterprise risks.

Membership of the Audit Committee remained constant during the reporting period and Appendix 1 provides details of the Audit Committee membership.

Approach to risk management

The RIC operates under an established Risk Management Framework that guides the identification, treatment and monitoring of enterprise, operational and project risks.

As a Corporate Commonwealth entity, the Commonwealth Risk Management Framework is not mandated for the RIC. However, in its adoption of a better practice approach to risk management the RIC's Risk Management Framework is aligned to the nine key principles of the Commonwealth framework and is compliant with relevant international standards (ISO 31000:2018). Risk management in the RIC is implemented and monitored by the Executive Leadership Team and overseen by the RIC Audit Committee and RIC Board.

In response to the changes in operations brought about by the significant increase in demand for the RIC's loan products the RIC reviewed its enterprise level risks during the 2020-21 reporting period.

Additional enterprise level risks were included to recognise:

- the distinction between the risk associated with the improvement of processing times for loan applications received prior to the cessation of the interest-free period on 30 September 2020 and the risk associated with maintaining the 65 RIC-handling days processing time for 80 per cent of applications received on or after 1 October 2020
- the impact of current processing times on stakeholder confidence in the RIC's capacity to deliver new programs and its capacity to respond to government directions
- the financial risk associated with the availability of lending capital and the repayment of loans
- the reputational risk associated with the impact of government decisions on the RIC's ability to deliver efficient and effective services.

The early recognition of these additional risks in the 2020-21 reporting period has placed the RIC in a good position to address their increasing likelihood as the RIC's business evolves and its loan book matures over the coming years.

Fraud control

The RIC takes its exposure to fraud seriously and has zero tolerance for its occurrence. All reasonable measures are taken to identify and address fraud risk across RIC staff, its suppliers and loan recipients to ensure the proper management of public resources in their contribution to a stronger rural and regional Australia.

The RIC's Fraud Control Plan was updated in the 2020-21 financial year and documents the strategic and operational approach to controlling fraud and corruption within the RIC. The plan provides an overview of how fraud and corruption risks will be managed and complies with the requirements of the Commonwealth Fraud Control Framework 2017.

All staff and contractors have a role in the RIC's fraud control arrangements and are required to undertake annual training on the identification of fraud risk and reduction of opportunities to commit fraud.

No instances of fraud were identified during the reporting period.

External scrutiny

The RIC was not subject to any judicial or administrative review in the 2020-21 reporting period and did not have any matters referred for the review of the Office of the Australian Information Commissioner or the Commonwealth Ombudsman. Further, the RIC has not been subject to any reviews or findings arising from significant non-compliance with finance laws, or any parliamentary inquiries outside of attendance at Senate Estimates hearings.

The RIC subjects itself to an external dispute resolution scheme through the Australian Financial Complaints Authority (AFCA). During 2020-21 one matter was referred to AFCA in relation to a lending decision made by the RIC. The matter was reviewed by AFCA and the complaint was not substantiated during its review, the outcome was found in favour of the RIC.

External scrutiny is supported and enhanced through the RIC's internal audit program. The RIC engages McGrathNicol to provide independent internal audit services. The 2020-21 internal audit program was completed in line with the RIC's strategic and annual internal audit plans.

During the current reporting period the RIC finalised all RIC-related recommendations from the Australian National Audit Office performance audit - Design and Establishment of the Regional Investment Corporation which was tabled in Parliament during the previous 2019-20 reporting period.

Directors and Officers indemnities and insurance

In 2020-21, the RIC held Directors and Officers Liability Insurance and premiums were paid up to date. There have been no claims against the liability insurance for the reporting period.

Environmental sustainability

In the 2020-21 financial year, the RIC delivered its loan programs which enable farmers to invest in their farm businesses to improve their adaptability and resilience to changing climatic conditions through the Drought Loan and Farm Investment Loan. The Farm Investment Loan may also support farmers to reduce their environmental impact through productive technology and increased water efficiency within their operations.

In February 2021, the RIC launched the first of its online application forms for the AgriStarter Loan product. Online application forms for all other loan products were made available by July 2021. This environmentally sustainable business practice will increase efficiency and lessen reliance on printed materials.

The RIC's cloud-based technology systems allow a largely paper-free environment. The adaptability of our workforce, supported by our technology systems, also enabled the RIC to transition quickly to a working from home environment as a result of the global COVID-19 pandemic, without any additional environmental impacts.

Work health and safety

There were no notifiable incidents and no lost time injuries recorded during the 2020-21 period.

The RIC rolled out and delivered a range of Health, Safety and Wellbeing (HSW) initiatives over the 2020-21 period including:

- continued provision and promotion of full access to the RIC's Employee Assistance Program including several new health and wellbeing resources
- additional support for all staff in receiving COVID-19 vaccinations providing paid time off to attend vaccinations as part of the COVID-19 response initiative
- a number of HSW-oriented training, initiatives and promotions were attended during the period, with a particular focus on mental health
- the annual flu vaccination program
- active engagement from the HSW committee, including the responsibility of the COVID-19 response team. Associated initiatives and promotions were coordinated by the team. A strong compliance across the RIC for COVID-19 related restrictions and protocols has continued.

Advertising and market research

Section 311A of the Commonwealth Electoral Act 1918 requires Australian Government departments and agencies to set out in their annual reports details of amounts greater than \$13,800 (inclusive of GST) paid by or on behalf of them during the year to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

During 2020-21, the RIC conducted market research to understand customer experience and satisfaction, engaged advertising services and conducted webinars to communicate key messages for loan programs and generate awareness.

The amounts the RIC paid to media and advertising organisations in 2020-21 are as follows.

Organisation	Purpose	Amount
Isentia Pty Ltd	Media monitoring services	\$12,870
Streem	Media monitoring services	\$11,220
JWS Research	Market research services	\$71,500
News Pty Ltd	National advertising for loan programs	\$60,500
ACM	National advertising for loan programs	\$103,540
Intermedia Group	National advertising for loan programs	\$24,959
Cahoot	Secure webinar platform and hosting	\$20,350
Future Friendly	Customer experience user research and design	\$103,180

3. Annual performance statements

3.1 Statement of preparation

I, Karen Smith-Pomeroy, on behalf of the RIC Board, present the agency's performance statements for 2020-21, prepared in accordance with subsection 39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

In the Board's opinion, these performance statements accurately present the Regional Investment Corporation's performance for the year ending 30 June 2021 and comply with subsection 39(2) of the PGPA Act.



Karen Smith-Pomeroy
Chair of the Board

3.2 Overview of performance

The RIC continues to deliver on its vision to build a stronger Australia through thriving regions. In the 2020-21 financial year the RIC experienced considerable changes to our business, in the second year of operation from our headquarters in Orange, NSW.

Demand for our loan products spiked in September 2020 at the cessation of the interest-free terms, when the RIC received 1,296 applications in that month compared to an average of 166 applications per month in the previous financial year.

Throughout the year, we launched the new AgriStarter Loan to support new entrants into farming and existing farm businesses in their succession planning, embarked on a major transformation program of work and were advised by the Australian Government that we would no longer be required to administer the NWILF. The RIC faced additional challenges because of the ever-changing COVID-19 situation.

Working through these changing circumstances, we have made significant progress against the objectives set at the start of the year.

Delivering support

During 2020-21 we have facilitated investment into rural and regional communities through our support to 1,441 farm businesses across Australia, committing a total of \$1,530.4 million in loan offers.

Loan commitments are measured at the point that a formal loan offer is made to an approved applicant. This will differ from the amount shown as approved under section 1.3. All loan commitments have been offered within funding envelopes set by the Australian Government.

This would not have been achieved without the additional funding provided by the Australian Government which allowed the RIC to increase our resources to handle the additional demand, growing our staffing numbers from 45 to a peak of 116 by March 2021.

In 2020-21, the RIC committed to lending \$1,530.4 million broken down by:

- \$1,394.0 million in support to drought affected farmers through our Drought Loan program
- \$98.9 million to farmers affected by flooding from the North and Far North Queensland Monsoonal Trough through our AgRebuild Loan program
- \$26.2 million to farm related small business through our AgBiz Drought Loan program
- \$7.4 million in support to farmers to strengthen their business and take steps to access markets interstate and overseas through our Farm Investment Loan program
- \$3.9 million to support new entrants and succession through our AgriStarter Loan program.

The RIC maintained a focus on its prudential lending objectives with 98 per cent of lending commitments offered within the RIC's standard credit risk profile. The remaining 2 per cent were supported by reasonable exceptions.

Strengthen delivery

While demand for loans required strong focus on delivering services to customers, we continued to work on the foundations of our business to improve our effectiveness and efficiency.

Along with the support to increase our resources, the Australian Government also provided an additional \$50 million in operational funding over four years to invest in our systems, processes and infrastructure. This funding facilitated our transformation program to develop and implement a range of initiatives that improved our loan application processing times including:

- a redesign of our internal processes
- implementation of online application forms
- establishing Standard Operating Procedures (SOPs) with key banks and simplified Deeds of Priority (DOP) to improve the settlement process
- improved reporting and data analytics capability with the deployment of a data lake, data integration services and dashboard reporting capabilities, giving management better visibility of customer experience and team performance.

These initiatives have delivered an improved process demonstrated by 91 per cent of the applications received since 1 October 2020 being closed out within 65 RIC-handling days, with a median time to decision of 30 RIC-handling days and to settlement of 46 RIC-handling days. Several factors, including complexity of the application, mean that some applications cannot be finalised within this target.

The RIC has budgeted the additional \$50 million in operational funding over four years to deliver improved customer outcomes. The extra investment means that our objective to reduce the average cost of loans was not achieved during the reporting cycle. This outcome was foreseen during the reporting period, with the RIC taking a deliberate decision to favour improving processing times over reducing the average cost of delivering the loans. While we were not able to achieve this performance target in 2020-21, the RIC did produce an end-of-year result better than was budgeted and is confident that the investment will have a lasting impact and generate efficiencies over the coming years.

Through our efforts to reduce processing times, the RIC has maintained close contact with our customers and stakeholders to keep them aware of progress, providing assistance where possible. These additional efforts have been well received and recognised in our most recent customer survey. While we did not achieve the target of a 10 per cent improvement in both customer and stakeholder satisfaction, both still reported an improvement in their satisfaction with RIC people.

Overall, 65 per cent of farmers and 53 per cent of stakeholders were satisfied with the RIC. Overall satisfaction was not captured in last year's survey but satisfaction with our people and processes was. Our customers, farm business owners, reported a 4 per cent improvement in their satisfaction with our people increasing from 81 to 85 per cent. Customer satisfaction with RIC processes dropped 5 per cent from 61 to 56 per cent.

The RIC's Net Promoter Score (NPS) which measures how likely a customer or stakeholder is to recommend the RIC to others also improved. The customer NPS increased by 23 per cent from +22 to +27. The stakeholder NPS, while it improved from -50 to -14, remained negative.

Annual Performance Measures for FY 2020-21

Key Activity	Performance Criteria	Performance Measures	Targets	Measure Achieved	Commentary
Strategic Objective: Deliver support to rural and regional Australia through concessional finance					
We will enhance access to loan data to allow more accurate loan forecasting of loan facility reporting and measurement of the impact of concessional loan finance.	Loans 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.	Achieved.	All loan products were delivered within set funding envelopes.
		Number and value of water loans provided.	NWILF: \$15M in 20-21, then one new loan per FY.	Not Applicable.	On 1 October 2020 the Australian Government advised the RIC that it was no longer required to deliver the NWILF.
		Support to young farmers.	Implementation of the AgriStarter Loan program.	Achieved.	Applications for the AgriStarter Loan opened on 1 January 2021. In 2020-21 the RIC approved \$7 million and made lending offers totalling \$3.9 million.
We will augment our compliance checks and risk and fraud awareness for staff.		Risk is managed within accepted tolerances.	90% of loan approvals fall within risk profile determined by the Board.	Achieved.	RIC loan approvals were 98% consistent with the standard credit risk profile.
			Fraud awareness training undertaken at staff induction and regular refresher programs.		As at 30 June 2021 94% of staff had completed their mandatory fraud awareness training.

Annual Performance Measures for FY 2020-21

Key Activity	Performance Criteria	Performance Measures	Targets	Measure Achieved	Commentary
Strategic Objective: Strengthen delivery of our functions					
We will implement a program of loan process improvement initiatives.	Improve loan processes.	Decrease in average Farm Business Loan processing timeframes (efficiency).	80% of loans with an end-to-end delivery time of 65 days.	Partially Achieved.	The RIC has achieved the performance target for all applications received after 1 October 2020 and remains on track for those that are work-in-progress at the end of the reporting period. It did not achieve the performance target for applications received before 1 October 2020.
		Improved end-to-end Farm Business Loan process.	Implement refined process and documentation.	Achieved.	Over the course of 2020-21 the RIC has implemented and continues to implement a number of improvements to its Farm Business Loan processes which have contributed to the achievement of: <ul style="list-style-type: none"> - a scalable and dynamic service delivery model - greater ownership and improvement of the customer experience - improved infrastructure to drive better customer outcomes and efficiencies - segmented processing, first stage of workflow and CRM tools delivered and have improved processing times.
		Enhancement of NWILF loan process.	Implement refined process and documentation in 20-21.	Not Applicable.	On 1 October 2020 the Australian Government advised the RIC that it was no longer required to deliver the NWILF.
		Reduction in cost per loan (efficiency).	Average cost per loan decision decreases over time.	Not Achieved.	The average cost per loan increased by 5.6% over the reporting period. This result was heavily influenced by the additional effort required to process the significant and unanticipated spike in loan applications.

Annual Performance Measures for FY 2020-21

Key Activity	Performance Criteria	Performance Measures	Targets	Measure Achieved	Commentary
Strategic Objective: Strengthen delivery of our functions					
We will increase customer and stakeholder awareness and better manage expectations by providing regular information on loan processes and current processing timeframes.	Customer and stakeholder satisfaction.	Improved customer satisfaction and awareness.	10% increase in satisfaction rates.	Partially Achieved.	Although not meeting its 10% improvement target over the reporting period, at its last survey 65% of customers reported an overall satisfaction with the RIC and the RIC's NPS improved by 23%.
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.		Improved stakeholder satisfaction and awareness.	10% increase in satisfaction rates.	Partially Achieved.	Although not meeting its 10% improvement target over the reporting period; at its last survey, 53% of stakeholders reported an overall satisfaction with the RIC and the RIC's NPS improved by 72%.

4. Case studies - Impact of a RIC loan

How Sam increased his water storage by 70% with a RIC loan

Sam Elphinstone has wanted to be a farmer since he was two years old.

"I used to play in the house with my tractor toys and set up irrigators," he said.

"I'd come home from school and help my grandfather on the farm. I've always wanted to be a farmer."

Sam began his career as a boilermaker in the mining industry with the dream of financing his farm business.

"I started off buying a tractor, then I bought a baler and another piece of gear," he said.

He eventually bought a block of land from his father and moved home to the family farm at Harford.

He now farms beef cattle, poppies for use in pain relief medicine, pyrethrum for insecticides and some vegetables including carrots, potatoes and swedes.

With drought and lack of rainfall limiting his production, Sam was keen to improve his water storage, so he contacted financial consultant Greg Bott.

Greg initially helped him with budgeting and financial advice, then suggested Sam apply for a RIC Drought Loan.

"He fully qualified," Greg said.



"He'd felt all the impacts of all the droughts and dry periods, so he was a perfect candidate."

RIC Engagement Manager Susie Lohrey said there was lots of help available for anyone looking into a RIC loan.

"We have the rural financial counsellors, accountants, agribusiness consultants," she said.

"Whatever you do, don't do it alone, don't self-assess. Use the resources we've got because they're there for you."

Rural Business Tasmania is the service provider for rural financial counsellors in Tasmania.



CEO Elizabeth Skirving said Rural Business Tasmania worked closely with the RIC to ensure their clients and those in the rural community were supported through the RIC loan application process.

"We get referrals directly through Susie who is our local RIC representative," Elizabeth said.

"We make sure there is that continued conversation throughout the journey that the client's on."

Sam has used his RIC loan to build two new dams and increase the size of an existing dam. This has increased his water capacity by about 70%.

"I'm at the stage now where I've worked hard and I'm able to be a full-time farmer," Sam said.

"I've got a lot of land now and I've established myself.

"It takes time and what I'd say to anyone is, have a go.

"You've got to do it slowly, but don't be scared to have a crack."

Low interest lifeline for first generation farmers

Graham and Lorna Jones are first generation farmers in Katanning, Great Southern WA. They started farming 7 years ago.

"We cropped for the first 3 to 4 years and that's all we did, now we've moved into sheep, and over the last 2 years into export-quality hay," Graham said.

The Joneses decided to move into export-quality hay as a means of reducing and controlling weeds without using as many heavy chemicals.



"But it meant a whole new scale of machines," Graham said.

"To see that the RIC was offering something specifically for farmers to reduce that day-to-day repayment debt by means of low interest was a lifeline for us."

The Joneses needed a mower, a baler and a truck to start their hay operation. They were able to purchase these things in the first season with the help of a RIC loan.

"It meant we could diversify immediately instead of sitting around for 5 years hoping for good crops," Graham said.

"We've already benefited from that."

Katanning is a typically reliable area with an average annual rainfall of 450mm. The recent drought hit the area hard in late 2020 and early 2021.

"We've had to cart a bit of water this year," Lorna said.

"It's the first year we've had no water in our dams, so that's quite challenging."

"It highlights what we need to prioritise when it comes to looking after our water," Graham said.

To improve water storage on their farm, the Joneses have bought a 120,000L water tank and invested in a second block of land 10km down the road. This block is better suited to natural water collection, with a valley and 2 separate dams.

"We've got water sitting in those dams, whereas we've got nothing on the rest of this farm," Graham said.

"That has been made possible by the RIC loan," Lorna said.

"Because we're first generation farmers, we don't have the benefit of an inherited farm, so everything we've done has been using the bank's money. Everything becomes about how



much interest we're paying," Graham said.

"The RIC loan means we can improve our farm and hopefully secure our future here," Lorna said.

"We can build that little bit and expand a little bit. It really all comes down to the RIC loan making that possible."

Growing the family farm business

The Rolfe family have been farming at 'Kenilworth', near Nimmitabel, for seven generations. This part of the Snowy Monaro region in South-East NSW is known for cold, dry winters and producing some of the best merinos in the country.

The Rolfes ran a merino wether trading operation until last year, when pressure from the drought and rising stock prices led them to re-think their entire operation.

"We initially looked into a RIC loan when we were changing our enterprise mix to a self-replacing merino flock," Andrew Rolfe said.

Andrew's father, Stephen, said they knew it would be hard to fund such a significant change. "We could see the RIC's lower interest rates would give us flexibility going into the future." The Rolfe family used the Rural Financial Counselling Service throughout the process. They helped the Rolfes put their application together and provided support.



"There were some hoops to jump through, but we did have a lot of help from our local rural financial counsellor. They gave us a lot of support," Jo Rolfe said.

"It made quite a big difference for us to have some respite from the heavy-duty interest rates."

The Rolfes have used the RIC loan to change their enterprise mix and refinance bank debt. The loan will also help them prepare for future drought.

"We're not out of the woods yet, but having the lower stocking rate has given the country a chance to recover and given us an opportunity to make a bit of silage for the next dry period," Stephen said.

"It's also opened up some opportunities to start succession planning, which is very important to us."

Jo said having Andrew and his family at 'Kenilworth' despite the years of adversity is a dream come true.

"It just thrills us to bits that Andrew wants to be here," Jo said.

"He is as passionate as any of us, if not more. It's great that Zoe and the kids are there to support him as well. That's perfect."

Andrew recently received a Nuffield Scholarship for 2021, supported by Australian Wool Innovation. Andrew will continue his research into intensive management techniques and models for merino sheep production. He will explore how to develop a productive, sustainable and drought-resilient farming system.



5. Financial Statements

5.1 Auditor's report/declaration



INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture and Northern Australia

To the Minister for Finance

Opinion

In my opinion, the financial statements of the Regional Investment Corporation (the Entity) for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Chair of the Board, the Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

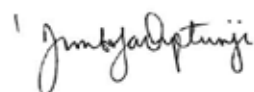
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

30 September 2021

5.2 Statement of Accountable Authority from the Chair of the Board, CEO and CFO

In our opinion, the attached financial statements for the period ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Regional Investment Corporation will be able to pay its debts as and when they fall due.

Signed 
Karen Smith-Pomeroy
Chair of the Board
29 September 2021

Signed 
Bruce King
Chief Executive Officer
29 September 2021

Signed 
Paul Dowler
Chief Financial Officer
29 September 2021

5.3 Audited financial statements

Regional Investment Corporation STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2021

	Notes	2021 \$	2020 \$	Original Budget 2021 \$
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	8,908,454	4,417,788	10,581,000
Suppliers	1.1B	27,256,648	11,258,213	34,980,000
Depreciation	2.2A	262,343	244,461	134,000
Finance costs	1.1C	8,016	11,918	10,000
Write down of assets	1.1D	5,563	-	-
Total expenses		36,441,024	15,932,380	45,705,000
Own-source Income				
Own-Source revenue				
Interest revenue	1.2A	5,388	50,169	-
Revenue from contracts with customers	1.2C	73,247	-	-
Other revenue	1.2D	129,277	196	-
Total own-source revenue		207,912	50,365	-
Net cost of services		(36,233,112)	(15,882,015)	(45,705,000)
Revenue from government	1.2B	45,762,000	15,477,000	45,762,000
Total comprehensive income		9,528,888	(405,015)	57,000

The above statement should be read in conjunction with the accompanying notes.

Budget variance explanations are outlined in Note 5.3

Regional Investment Corporation
STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

		2021	2020	Original Budget 2021
	Notes	\$	\$	\$
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	20,143,493	10,488,646	10,515,000
Trade and other receivables	2.1B	-	349	-
Total financial assets		<u>20,143,493</u>	<u>10,488,995</u>	<u>10,515,000</u>
Non-financial assets¹				
Land and buildings	2.2A	529,163	680,351	738,000
Property, plant and equipment	2.2A	245,464	346,873	347,000
Other non-financial assets	2.2B	140,857	70,503	71,000
Total non-financial assets		<u>915,484</u>	<u>1,097,727</u>	<u>1,156,000</u>
Total assets		<u>21,058,977</u>	<u>11,586,722</u>	<u>11,671,000</u>
LIABILITIES				
Payables				
Supplier payables	2.3A	2,534,557	2,787,906	2,591,000
Other payables	2.3B	262,377	220,197	399,000
Total payables		<u>2,796,934</u>	<u>3,008,103</u>	<u>2,990,000</u>
Provisions				
Employee provisions	3.1A	916,127	549,857	474,000
Total provisions		<u>916,127</u>	<u>549,857</u>	<u>474,000</u>
Interest bearing liabilities				
Leases	2.4A	434,685	646,419	646,000
Total provisions		<u>434,685</u>	<u>646,419</u>	<u>646,000</u>
Total liabilities		<u>4,147,746</u>	<u>4,204,379</u>	<u>4,110,000</u>
Net assets		<u>16,911,231</u>	<u>7,382,343</u>	<u>7,561,000</u>
EQUITY				
Retained earnings		16,911,231	7,382,343	7,561,000
Total equity		<u>16,911,231</u>	<u>7,382,343</u>	<u>7,561,000</u>

The above statement should be read in conjunction with the accompanying notes.

¹ Right-of-use assets are included in the Land and Buildings line item.

Budget variance analysis are outlined in Note 5.3

Regional Investment Corporation
STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2021

	2021	2020	Original Budget 2021
	\$	\$	\$
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	<u>7,382,343</u>	<u>7,787,358</u>	<u>7,504,000</u>
Adjusted opening balance	<u>7,382,343</u>	<u>7,787,358</u>	<u>7,504,000</u>
Comprehensive income			
Surplus for the period	<u>9,528,888</u>	<u>(405,015)</u>	<u>57,000</u>
Total comprehensive income	<u>9,528,888</u>	<u>(405,015)</u>	<u>57,000</u>
Closing balance as at 30 June	<u>16,911,231</u>	<u>7,382,343</u>	<u>7,561,000</u>
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	<u>7,382,343</u>	<u>7,787,358</u>	<u>7,504,000</u>
Adjusted opening balance	<u>7,382,343</u>	<u>7,787,358</u>	<u>7,504,000</u>
Closing balance as at 30 June	<u>16,911,231</u>	<u>7,382,343</u>	<u>57,000</u>

The above statement should be read in conjunction with the accompanying notes.

Budget variance analysis are outlined in Note 5.3

Regional Investment Corporation
CASH FLOW STATEMENT
For the period ended 30 June 2021

	Notes	2021 \$	2020 \$	Original Budget 2021 \$
OPERATING ACTIVITIES				
Cash received				
Receipts from Government		45,762,000	15,477,000	45,762,000
Interest on cash held		5,388	50,384	-
GST received from the ATO		1,493,898	482,277	-
Other		202,524	200,902	-
Total cash received		47,463,810	16,210,563	45,762,000
Cash used				
Employees		8,299,094	3,901,463	10,570,000
Suppliers		29,071,686	9,766,870	34,965,000
Interest payments on lease liabilities		8,016	11,918	10,000
GST paid		203,472	168,519	-
Other		(349)	856	-
Total cash used		37,581,920	13,849,626	45,545,000
Net cash flows from operating activities		9,881,890	2,360,937	217,000
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		15,309	152,349	-
Total cash used		15,309	152,349	-
Net cash flows used by investing activities		(15,309)	(152,349)	-
FINANCING ACTIVITIES				
Cash used				
Principal payments of lease liabilities		211,734	185,120	191,000
Total cash used		211,734	185,120	191,000
Net cash flows from / (used by) financing activities		(211,734)	(185,120)	(191,000)
Net increase in cash and cash equivalents held		9,654,847	2,023,469	26,000
Cash and cash equivalents at the beginning of the reporting period		10,488,646	8,465,177	10,489,000
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	2.1A	20,143,493	10,488,646	10,515,000

Regional Investment Corporation
CASH FLOW STATEMENT
For the period ended 30 June 2021

Accounting Policy

Loan Funding

The RIC made a voluntary change to its accounting policy regarding the presentation of loan transactions in the cash flow statement. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the RIC has retrospectively applied the new policy as if it had always applied. The impact of the change in the accounting policy is that cash flows pertaining to loan transactions are no longer presented in the RIC's cash flow statement.

The change in accounting policy results in more reliable and more relevant information about the effects of transactions in understanding the RIC's financial position, financial performance and cash flows. The reasons for the change are:

- The RIC receives funds from the Commonwealth Consolidated Revenue Fund (CRF) via Department of Agriculture, Water and the Environment (DAWE) to make loans and advances to farm businesses and farm related small businesses, the RIC also receives interest and principal repayments from farmers, these payments are returned to DAWE. All interest generated from advances of loan funding is returned to DAWE.
- In adopting the principles of AASB 9 - Financial Instruments the entity that reports the loans is the entity who bears the substantive risks and rewards of the loans. According to the criteria defined in the standard it is clear that DAWE bears the risks and rewards of the loans and that the arrangement between the RIC and DAWE is considered a pass-through arrangement. The loans provided by the RIC, (including all interest and principal transactions) are accounted for in the administered accounts of DAWE.
- The accounting treatment has been reviewed and the RIC has determined the pass-through is not required to be presented in the cash flow statement in accordance with Accounting Standards and does represent a duplication of information between the RIC and DAWE. The Concessional Loans provided by the RIC as well as the associated interest and principal transactions are accounted for in the administered accounts of DAWE and not reported in the financial accounts of the RIC.

The RIC receives funds from the CRF via DAWE for the purpose of funding approved concessional loans. Any balance of funds received from DAWE, the bank or loan recipients that are yet to be disbursed are held by, but not owned by the RIC, the balances are disclosed in Note 5.2 Other Consolidated Revenue Fund money.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

Objectives of the Regional Investment Corporation

The RIC is a corporate Commonwealth entity established by the *Regional Investment Corporation Act 2018*. The objective of the RIC is to administer financial assistance on behalf of the Australian Government to farm businesses, farm-related small businesses, and from 2021-22 forestry businesses. The RIC issues loans to encourage growth, investment and resilience in rural and regional communities and Australian farm businesses utilising efficient, equitable and transparent lending practices.

Functions of the Regional Investment Corporation

The key functions of the RIC, as prescribed under its enabling legislation are to administer farm business loans and programs prescribed by the rules.

The Basis of Preparation

The financial statements are general purpose financial statements as required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities which are recorded at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar, unless otherwise specified.

New Accounting Standards

All new, revised or amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the RIC's financial statements.

Taxation

The RIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The RIC is an enterprise for GST purposes, the primary activity carried on by the RIC is the provision of farm business loans, the provision of farm business loans constitutes the making of financial supplies. Financial supplies are input taxed and acquisitions made in connection with the making of financial supplies are not creditable where the Financial Acquisitions Threshold is exceeded.

Despite the RIC exceeding the Financial Acquisitions Threshold as defined in *A new tax system (Goods and Services Tax) Act 1999* the RIC is entitled to claim an input tax credit of 75% of the input tax credits on acquisitions of a type listed in the GST regulations, this includes the Loan Service Provider fees and fees paid for other loan processing services incurred by the RIC.

Events after the reporting period

There are no known events occurring after the reporting period that could have a material impact on the financial statements.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Financial Performance

This section analyses the financial performance of the RIC for the period ended 30 June 2021.

1.1 Expenses

	2021 \$	2020 \$
Note 1.1A: Employee benefits		
Wages and salaries	7,375,711	3,454,240
Superannuation	725,000	365,314
Leave and other entitlements	752,485	548,046
Separation and redundancies	55,258	50,188
Total employee benefits	8,908,454	4,417,788

Accounting Policy

Accounting policies for employee related expenses are contained in Section 3, People and Relationships.

Note 1.1B: Suppliers

Goods and services supplied or rendered

Loan service provider	17,170,408	7,755,458
Consultants	2,008,053	1,245,794
Contractors	4,280,411	729,312
Information technology services	827,184	244,873
Legal services	568,778	70,543
Marketing and communications	319,950	262,497
Recruitment services	689,370	109,940
Staff training and development	127,516	116,687
Travel	281,990	300,855
Credit assessment charges	642,013	-
Property operating costs	55,420	145,521
Other goods and services	277,665	238,686
Total goods and services supplied or rendered	27,248,758	11,220,166

Other suppliers

Short-term leases	7,890	38,047
Total other suppliers	7,890	38,047
Total suppliers	27,256,648	11,258,213

Included within the balance of Other goods and services is the 2020-21 ANAO Audit fee paid by the RIC as a paying entity of \$90,000 (2019-20: \$75,000).

The above Short-term lease disclosures should be read in conjunction with the accompanying notes and 2.4A.

Accounting Policy

Short-term leases and leases of low-value assets

The RIC has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The RIC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2021	2020
	\$	\$
Note 1.1C: Finance costs		
Interest on lease liabilities	8,016	11,918
Total finance costs	<u>8,016</u>	<u>11,918</u>
Note 1.1D: Write down of assets		
Impairment of property, plant and equipment	5,563	-
Total write down of assets	<u>5,563</u>	<u>-</u>

The RIC upgraded its meeting room communications technology which included the write-off of existing equipment.

1.2 Own-Source Revenue and Gains

	2021	2020
	\$	\$
Note 1.2A: Interest		
Deposits	5,388	50,169
Total Interest	<u>5,388</u>	<u>50,169</u>
Note 1.2B: Revenue from Government		
Revenue from government	45,762,000	15,477,000
Total revenue from Government	<u>45,762,000</u>	<u>15,477,000</u>
Note 1.2C: Revenue from contracts with customers		
Revenue from customers	73,247	-
Total revenue from contracts with customers	<u>73,247</u>	<u>-</u>
Note 1.2D: Other revenue		
Other	129,277	196
Total other revenue	<u>129,277</u>	<u>196</u>

Included within the balance of Other revenues is refunded FBT (\$3,700) and refunded payroll tax (\$120,145) as well as rebates from various suppliers (\$5,432).

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Revenue from Government

Funding received or receivable from DAWE (appropriated to Agriculture as a corporate Commonwealth entity payment item for payment to the RIC) is recognised as Revenue from Government by the RIC unless the funding is in the nature of an equity injection or a loan.

Amounts transferred to the RIC from appropriations to DAWE (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the RIC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Revenue from contracts with customers

The RIC's main source of revenue from contracts with customers is from the cost recovery of issuing loans.

RIC customers are currently charged 'actual costs for establishing the loan' as included in the published guidelines for each loan program and available on the RIC website. The RIC recognises revenue upon completion of services.

The RIC also charges the loan service provider for using the RIC's digital loan settlement account.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Position

This section analyses RIC's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in Section 3 People and Relationships.

2.1 Financial Assets

	2021	2020
	\$	\$
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	<u>20,143,493</u>	<u>10,488,646</u>
Total cash and cash equivalents	<u>20,143,493</u>	<u>10,488,646</u>
 Note 2.1B: Trade and other receivables		
Goods and services receivable		
Other	<u>-</u>	<u>349</u>
Total goods and services receivable (gross)	<u>-</u>	<u>349</u>

Credit terms for goods and services were 30 days.

Regional Investment Corporation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.2 Non-Financial Assets

Note 2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	BUILDINGS	PROPERTY, PLANT AND EQUIPMENT	TOTAL
	\$'000	\$	\$
As at 1 July 2020			
Gross book value	831,539	486,272	1,317,811
Accumulated depreciation	(151,188)	(139,399)	(290,587)
Total as at 1 July 2020	680,351	346,873	1,027,224
Additions			
Purchased	-	15,310	15,310
Depreciation	-	(111,155)	(111,155)
Depreciation on right-of-use assets	(151,188)	-	(151,188)
Asset write down ¹	-	(5,563)	(5,563)
Total as at 30 June 2021	529,163	245,464	774,627
Total as at 30 June 2021 represented by:			
Gross book value	831,539	486,860	1,320,399
Accumulated depreciation, amortisation and impairment	(302,376)	(243,396)	(545,772)
Total as at 30 June 2021	529,163	245,464	774,627

¹ In relation to the asset write down, the write back to historic cost is \$12,721 and the write back to depreciation is \$7,158.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Non-Financial assets

All assets have been purchased within the last three financial years and have been assessed for any indications of impairment at stocktake in March, as yet none is evident.

Revaluations of Non-Financial Assets

Following initial recognition at cost, property, plant and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses.

No revaluations of non-financial assets have been undertaken this financial year. All assets have been purchased within the last three financial years and the net book value represents fair value.

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Lease Right of Use (ROU) Assets

The RIC has recognised one right of use lease liability for its commercial office premises at 122-124 Kite Street Suite 2, Orange NSW.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the RIC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Asset Class	Useful Life
Property, plant and equipment	Between 3-5 years

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for impairment at 30 June 2021. Where indications of impairment exist, the asset's recoverable amount is estimated, and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indications of impairment exist for any fixed asset or for the Right of use asset.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. The RIC has written off an asset this financial year which is the teleconference facilities in the meeting rooms due to them no longer being compatible with upgraded software.

Fair Value

All property, plant and equipment are measured at their estimated fair value in the Statement of Financial Position. All property, plant and equipment held by the RIC are categorised under Level 2 in accordance with the hierarchy listed in AASB 13.

Level 2 measurement uses inputs other than quoted prices that are observable for the asset. The future economic benefits of the RIC's property, plant and equipment are not primarily dependent on their ability to generate cash flows.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2021	2020
	\$	\$
Note 2.2B: Other non-financial assets		
Prepayments	140,857	70,503
Total other non-financial assets	140,857	70,503

No indicators of impairment were found for other non-financial assets.

2.3 Payables

	2021	2020
	\$	\$
Note 2.3A: Supplier payables		
Trade creditors and accruals	2,534,557	2,787,906
Total supplier payables	2,534,557	2,787,906

Settlement is usually made for suppliers within 30 days.

Note 2.3B: Other payables		
Salaries and wages	206,824	119,190
Superannuation	54,265	53,800
Statutory payables	1,288	47,206
Total other payables	262,377	220,197

2.4 Interest Bearing Liabilities

	2021	2020
	\$	\$
Note 2.4A: Leases		
Lease Liabilities	434,685	646,419
Total leases	434,685	646,419

Note 2.4B: Leases - Maturity

Maturity analysis - contractual undiscounted cash flows

Within 1 year	159,139	219,748
Between 1 to 5 years	275,546	426,671
Total leases	434,685	646,419

Accounting Policy

For all new contracts entered into, the RIC considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. People and Relationships

This section describes a range of employment and post-employment benefits provided to our employees and our relationships with other key people.

3.1 Employee Provisions

	2021	2020
	\$	\$
Note 3.1A: Employee provisions		
Annual Leave	525,114	233,388
Long Service Leave	391,013	316,469
Total employee provisions	916,127	549,857

Accounting Policy

During the 2020-21 financial year the RIC has seen a significant increase in overall staffing numbers which has contributed to the increase in employee leave provisions from 2019-20. The RIC is also a relatively new agency and the average length of time employees have been with the agency significantly increased during the financial year also contributing to the increase in the employee leave provisions from 2019-20.

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

This financial year the RIC has adopted the Department of Finance Shorthand model, this model has different actuarial assumptions than those used last year. There is no material variation to the overall outcome arising from the change in model.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the RIC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. The liability for long service leave has been determined by reference to the Department of Finance 2020-21 standard parameters and using the Shorthand Method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The RIC's staff are members of various Superannuation Schemes. The RIC makes employer contributions to the employee superannuation schemes and these are expensed in the financial statements.

There are staff who are members of a Commonwealth defined benefit scheme for Australian Government employees.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes. The RIC makes employer contributions to the Department of Agriculture, Water and the Environment on behalf of staff who remain members of the defined benefit scheme. The employees' defined benefit superannuation is at rates determined by an actuary to be sufficient to meet the current cost to the Government. The RIC accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RIC, directly or indirectly, including any director (whether executive or otherwise) of the RIC. The RIC has determined the key management personnel to be the Chief Executive Officer, the Executive Leadership Team and the Board. Key management personnel remuneration is reported in the table below.

	2021	2020
	\$	\$
Note 3.2A: Key management personnel remuneration		
Short-term employee benefits	1,265,231	907,003
Other long-term employee benefits	24,627	39,385
Post-employment benefits	127,407	98,661
Total key management personnel remuneration expenses	1,417,265	1,045,049

There are twelve (12) key management personnel included in the above table this includes the acting Executive Leadership Team who were acting for approximately half the financial year (ten people in 2019-20).

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the RIC.

3.3 Related Party Disclosures

Related party relationships:

The RIC is an Australian Government controlled entity. Related parties to the RIC are Directors, Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

The RIC transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions. The RIC transacts with the Department of Agriculture, Water and the Environment for supplies related to transition staff and transacts with the Digital Transformation Agency for IT licenses. These are not considered individually significant to warrant separate disclosure as related party transactions.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the RIC, it has been determined that there are no related party transactions to be separately disclosed.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Managing Uncertainties

This section analyses how the Agency manages financial risks within its operating environment.

4.1 Contingent Assets and Liabilities

The Regional Investment Corporation does not have any quantifiable or unquantifiable contingencies for 2021 (nil: 2019-20).

4.2 COVID19

The Regional Investment Corporation is impacted by the global pandemic of COVID19.

Impairments

There has been no evidence of impairment on fixed assets due to COVID19.

The responsibility for impairing loans rests with DAWE.

Employee Provisions

Employee provisions have been estimated using the same assumptions as previous years.

Impact of COVID19 on the RIC's Loan Service Provider

The RIC's Loan Service Provider (LSP) has addressed the risks of COVID19 and business disruption by implementing a flexible work pattern and dividing the workforce into two groups. The two groups have access to the office on alternate weeks to minimise cross infection of staff.

The LSP has also outsourced some of the credit work to other credit providers further reducing risks of business disruption due to COVID19.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Other Information

5.1 Current/non-current distinction for assets and liabilities

	2021	2020
	\$	\$
Note 5.1A: Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	20,143,493	10,488,646
Trade and other receivables	-	349
Other non-financial assets	140,857	70,503
Total no more than 12 months	20,284,350	10,559,498
More than 12 months		
Land and buildings	529,163	680,351
Property, plant and equipment	245,464	346,873
Total more than 12 months	774,627	1,027,224
Total assets	21,058,977	11,586,722
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	2,534,557	2,787,906
Other payables	262,377	220,197
Leases	159,139	219,748
Employee provisions	430,613	472,172
Total no more than 12 months	3,386,686	3,700,023
More than 12 months		
Leases	275,546	426,671
Employee provisions	485,514	77,685
Total more than 12 months	761,060	504,356
Total liabilities	4,147,746	4,204,379

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5.2 Other Consolidated Revenue Fund (CRF) money

The RIC receives funds from the Commonwealth Consolidated Revenue Fund (CRF) via DAWE for the purpose of funding approved concessional loans. Any balance of funds received from DAWE, the bank or loan recipients that are yet to be disbursed are held by the RIC on behalf of the loan recipient.

There are a number of circumstances that could result in individual loan settlements being rejected or delayed, this may be due to incorrect account details or circumstances changing at the point of settlement. In this situation funds are paid out of the bank account to the settlement trust account, returned and paid out again.

This note reflects the difference between the funds received and the funds disbursed at the end of the financial year. All other loan cashflows are shown in the administered accounts of DAWE. Payments are all outgoing from the loan accounts this includes: funds lent to loan recipients, interest returned to DAWE; principal repayments returned to DAWE. Similarly receipts are all incoming transactions into the loan accounts this includes: interest from loan recipients; interest from the bank; principal repaid and funds from DAWE for loans.

At the 30th June 2021 the difference between what the RIC has received and what has been lent or returned is detailed below. The beneficiary of these funds is the loan recipient or the Commonwealth, not the RIC. The closing balance is an asset reported by DAWE in their administered financial statements.

	2021 \$	2020 \$
Note 5.2A: Other Consolidated Revenue Fund money		
As at 1 July		
Opening Balance	20,107,525	932,965
Receipts	985,046,355	419,192,899
Payments	999,975,813	400,018,339
Closing balance as at 30 June	5,178,067	20,107,525
Total amount held at the end of the reporting period	5,178,067	20,107,525

Refer to Cashflow Statement accounting policy for detail on the change in accounting treatment of the loan cashflows.

5.3 Budget Variances

Budget Variance Explanation	Affected statements and line items
The RIC received additional funding in the 2020-21 Budget including revenue to increase employee ASL numbers for service delivery improvements, additional lending service charges and funding for the development and implementation of new technologies. Funding was not appropriated to the RIC until the passage of the Budget in November 2020 resulting in some delays to fully expend the allocated budget for the year and resulting in an operating surplus. This can be seen particularly in Employee benefits and suppliers in the Comprehensive Income Statement, also in cash used in both the Statement of Financial Position and the Statement of Cash Flows.	<p>Statement of Comprehensive Income:</p> <ul style="list-style-type: none"> - Employee benefits - Suppliers <p>Statement of Financial Position:</p> <ul style="list-style-type: none"> - Cash and cash equivalents - Total payables - Employee provisions <p>Statement of Cash Flows</p> <ul style="list-style-type: none"> - Cash used suppliers - Cash used Employees <p>Statement of Changes in Equity</p> <ul style="list-style-type: none"> - Surplus for the period

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The RIC commenced using its own digital settlement account in this financial year and was reimbursed by the loan service provider for the cost of those transactions.

The RIC was refunded Payroll tax paid after receiving advice that it is not subject to payroll tax.

Statement of Comprehensive Income:

- Revenue from contracts with customers
- Other revenue

There was a significant change in budget for the 2021 FY compared to the prior year, a tripling in net cost of service and a doubling of the funds available to lend to farm businesses (not shown in the RIC's budget but rather the Departments). This funding change was tied to a government policy change where loans were issued with no interest and no principal repayments for two years. This policy change created a huge demand for loans. The impact of the budget change and the policy change can be seen in the budget and the reported income and expenditure.

On 1 October 2020 the Australian Government advised the RIC that it was no longer required to deliver the National Water Infrastructure Loan Facility (NWILF). This did not impact on the RIC budget.

The RIC considers a major variance between budget and actuals is greater than 10% of the original estimate or it is considered important for the reader's understanding.

Appendix 1: Accountable Authority & Audit Committee

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title / Position held Executive / NonExecutive	Period as the accountable authority or member within the reporting period		
				Date of Commencement	Date of cessation	Number of meetings of accountable authority attended
Karen Smith-Pomeroy	Karen is a Fellow of the Institute of Public Accountants, Senior Fellow of the Financial Services Institute of Australasia, and a Graduate of the Australian Institute of Company Directors.	Karen is an experienced non-executive director, with involvement in several market sectors including agribusiness, energy, property and financial services. She has significant experience as a senior executive in the financial services sector. Karen has specific expertise in risk and governance, deep expertise in credit risk and specialist knowledge of a number of industry sectors, including property, energy and infrastructure. Karen is currently a non-executive director of Kina Securities Limited, Stanwell Corporation Limited, and Queensland Treasury Corporation (Capital Markets Board). She is also the Chair of National Affordable Housing Consortium. Karen holds accounting qualifications and is a Graduate of the Advanced Risk Management Course Wharton College, University of Pennsylvania, USA.	Board Chair (current)	01/07/2020	30/06/2021	11 of 11
Lucia Cade	Lucia holds a Bachelor of Engineering (Civil) (Honours), a Bachelor of Economics, a Master of Engineering Science and a Master of Business Administration. She is a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors.	Lucia has experience in engineering and commercial leadership, with a focus on water infrastructure, utilities and professional services. She has been Chair of South East Water, a government-owned water utility, since October 2015 and holds other non-executive appointments in engineering, infrastructure and technology. Since 2004 she has managed a portfolio of advisory and consulting clients and recently was a member of the technical advisory panel for the National Water Infrastructure Development Fund.	Board Member	01/07/2020	28/06/2021	9 of 11

				Period as the accountable authority or member within the reporting period		
Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title / Position held Executive / NonExecutive	Date of Commencement	Date of cessation	Number of meetings of accountable authority attended
Mark Lewis	Mark holds a Master of Applied Science, an Advanced Diploma in Management and a Graduate Certificate in Management. His undergraduate studies were in the Animal Health field.	Mark is a former WA Minister for Agriculture and Food and was a member for the Mining and Pastoral Region in the WA Legislative Council from 2013 to 2017. He is currently also a Director on the Climate Change Authority and a number of public (limited) and private companies. Mark has a lifetime of involvement in agriculture and rural communities and years of engagement in water resource development.	Board Member	01/07/2020	28/06/2021	11 of 11
Prue Bondfield	Prue holds a Bachelor of Laws, a Diploma in Project Management and a Graduate Diploma of Business, Marketing & Management, and is a Graduate of the Australian Institute of Company Directors.	Prue has significant agribusiness and farming expertise as founder and Director of the Palgrove Group, a corporate livestock business with properties in Queensland and NSW. Prue holds a Law degree and has strong agriculture industry networks from various roles on Commonwealth and State entities and advisory committees. She is currently a Director of Australian Livestock Export Corporation Ltd and Black Box Co Pty Ltd. She was Chair of the Beef Industry Sustainability Framework Steering Committee, which was formed by the Red Meat Advisory Council. She was previously a Director of the State Management Council for the NSW Livestock Health and Pest Authorities, and the Beef Improvement Association.	Board Member	01/07/2020	30/06/2021	10 of 11

		Period as the accountable authority or member within the reporting period				
Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title / Position held Executive / NonExecutive	Date of Commencement	Date of cessation	Number of meetings of accountable authority attended
Sharon Starick	Sharon holds a Bachelor of Agricultural Science Honours in Plant Science.	Sharon runs a combined grain and pork business in the Murraylands in South Australia. She brings not only practical on-farm knowledge, but 20 years' experience with industry bodies, natural resource management groups, government boards and other private and public organisations. Sharon is the current Chair of Animal Health Australia and APIQ which is the quality assurance program for the pork industry. She is also on the board of the Grains Research and Development Corporation, Murray Plains Farmers, Nature Foundation and Royal Automobile Association of SA. Until 2020, Sharon was the Chair of Rural Business Support, which provides rural financial counselling services for South Australia and Northern Territory.	Board Member	01/07/2020	30/06/2021	10 of 11

Link to Audit Committee Charter

<https://www.ric.gov.au/sites/default/files/documents/RIC%20Audit%20Cttee%20Charter%20-%20reviewed%20Aug%202021.pdf>

RIC Audit Committee

Member name	Qualifications, knowledge, skills or experience	Number of meetings attended FY 20-21	Total annual remuneration
Tim Youngberry (PFM Advisory Services Pty Ltd)	Tim has experience in the successful implementation of public financial management reforms. He has held senior executive roles in the Australian Government with responsibilities covering whole-of-government financial reporting, accounting policies, budget framework and appropriations management. He also works as an expert on public finances with the International Monetary Fund and the OECD in a number of countries. From 2010 to 2015, Tim was a member of the International Public Sector Accounting Standards Board. He has also completed the Executive Fellows Program at the Australia and New Zealand School of Government and is a Fellow of both CPA Australia and Chartered Accountants Australia and New Zealand.	5 of 5	\$16,000
Emily Canning	Emily has held senior executive roles in the Australian Government and brings extensive public sector financial management experience to her role on the Committee. She holds a Bachelor of Commerce from the Australian National University and is a Fellow of CPA Australia and the Chartered Accountants Australia New Zealand. Emily is also a graduate of the Australian Institute of Company Directors.	5 of 5	\$0
Mark Lewis	(see Accountable Authority table above)	5 of 5	See executive remuneration table
Lucia Cade	(see Accountable Authority table above)	4 of 5	See executive remuneration table

Appendix 2: Management of human resources

All Ongoing Employees Current Report Period (2020-21)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	23	0	23	26	1	27	0	0	0	50
Qld	2	0	2	1	0	1	0	0	0	3
SA	1	0	1	0	0	0	0	0	0	1
Tas	0	0	0	1	0	1	0	0	0	1
Vic	0	0	0	0	0	0	0	0	0	0
WA	1	0	1	0	0	0	0	0	0	1
ACT	1	0	1	0	0	0	0	0	0	1
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	28	0	28	28	1	29	0	0	0	57

All Non-Ongoing Employees Current Report Period (2020-21)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	15	0	15	20	0	20	0	0	0	35
Qld	5	0	5	0	0	0	0	0	0	5
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0
ACT	2	0	2	0	0	0	0	0	0	2
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	22	0	22	20	0	20	0	0	0	42

All Ongoing Employees Previous Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	11	1	12	11	2	13	0	0	0	25
Qld	1	0	1	0	0	0	0	0	0	1
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	1	0	1	0	0	0	1
Vic	0	0	0	0	0	0	0	0	0	0
WA	1	0	1	0	0	0	0	0	0	1
ACT	2	0	2	0	0	0	0	0	0	2
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	15	1	16	12	2	14	0	0	0	30

All Non-Ongoing Employees Previous Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	0	0	0	1	1	2	0	0	0	2
Qld	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0
ACT	1	0	1	1	0	1	0	0	0	2
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	1	0	1	2	1	3	0	0	0	4

Information about remuneration for key management personnel

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration**
Name	Position title	Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	* Long service leave	Other long-term benefits		
Karen Smith-Pomeroy	Board Member	\$85,975	0	0	\$8,168	0	0	0	\$94,143
Lucia Cade	Board Member	\$50,761	0	0	\$7,817	0	0	0	\$58,578
Prue Bondfield	Board Member	\$42,978	0	0	\$6,620	0	0	0	\$49,607
Sharon Starick	Board Member	\$43,066	0	0	\$4,096	0	0	0	\$47,162
Mark Lewis	Board Member	\$50,761	0	0	\$7,817	0	0	0	\$58,578
Bruce King	CEO	\$345,247	0	0	\$24,065	\$1,960	0	0	\$371,272
Duane Roberts	Acting Executive Director Corporate Services	\$107,171	0	0	\$21,000	-\$7,866	0	0	\$112,438
John Newcombe	Acting Executive Director Program Delivery	\$106,742	0	0	\$10,656	\$3,349	0	0	\$123,139
Julia Brown	Acting Executive Director Engagement	\$107,582	0	0	\$10,339	\$1,634	0	0	\$120,535
Paul Dowler	Executive Director Corporate Services	\$122,391			\$10,254	\$3,284			\$135,929
Alli Gartrell	Executive Director Program Delivery	\$106,452			\$8,768	\$23,301			\$138,521
Chris Rawlins	Executive Director Transformation & Engagement	\$96,096			\$7,807	\$926			\$104,829

* This financial year the RIC has adopted the Department of Finance Shorthand model for long service leave calculations, this model has different actuarial assumptions than those used last year.

** Total remuneration is the sum of short-term benefits, post-employment benefits other long-term benefits and termination benefits, which are determined in part by an actuarial assessment. This will result in a difference between reported balances and amounts paid to those staff.

Information about remuneration for senior executives

The RIC has no senior executive remuneration to report.

Total remuneration bands	Number of senior executives	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long-term benefits	Average termination benefits	Average total remuneration
\$0- \$220,000									
\$220,001- \$245,000									
\$245,001- \$270,000									
\$270,001- \$295,000									
\$295,001- \$320,000									
\$320,001- \$345,000									
\$345,001- \$370,000									
\$370,001- \$395,000									
\$395,001- \$420,000									
\$420,001- \$445,000									
\$445,001- \$470,000									
\$470,001- \$495,000									
\$495,001-									

Information about remuneration for senior executives

The RIC has no other highly paid staff remuneration to report.

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of other highly paid staff	Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long-term	Average termination benefits	Average total remuneration
\$225,001-\$245,000									
\$245,001-\$270,000									
\$245,001-\$270,000									
\$270,001-\$295,000									
\$295,001-\$320,000									
\$320,001-\$345,000									
\$345,001-\$370,000									
\$370,001-\$395,000									
\$395,001-\$420,000									
\$420,001-\$445,000									
\$445,001-\$470,000									
\$470,001-\$495,000									
\$495,001-									

Appendix 3: Compliance index

PGPA Rule Reference	Part of Report	Description	Requirements
17BE	Contents of	annual report	
17BE(a)	2.1	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	2.1	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	2.1	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	2.1	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	2.1	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	2.1	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	2.1	Particulars of non-compliance with: a direction given to the entity by the Minister under an Act or instrument during the reporting period; or a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	3	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	2.3	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	2.3 & Appendix 1	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	2.2	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Appendix 2	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: statistics on full-time employees; statistics on part-time employees; statistics on gender; statistics on staff location	Mandatory
17BE(l)	2.2	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	2.3	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)		For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
17BE(p)	1.3	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	2.3	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory

17BE(r)	2.3	Particulars of any reports on the entity given by: (a) the Auditor-General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner	If applicable, mandatory
17BE(s)	N/A	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	2.3	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	2.3 & Appendix 1	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	2.2	Information about executive remuneration	Mandatory



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