



Australian Government



REGIONAL
INVESTMENT
CORPORATION

Corporate Plan 2023/24

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As Chair of the Board and the Accountable Authority of Regional Investment Corporation (RIC), I present the Regional Investment Corporation's Corporate Plan 2023–2024, which covers the periods of 2023-24 to 2026-27, as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

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

Karen Smith-Pomeroy

Chair

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

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Acknowledgement of Country and Traditional Owners



Regional Investment Corporation acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, sea and community.

We pay our respects to them, their cultures, and to their Elders past, present and emerging.

1. Introduction from the Chair and CEO

The 2023-24 financial year will be the RIC's sixth year in operation and represents a pivotal moment in our history.

We have been working hard on a change to our business model to insource our loan origination and management services, capability and technology, which will come to fruition this year. This change is exciting for us on several levels. While it represents cost savings, process efficiencies, greater control over our operations and ability to improve our services, it most importantly brings us closer to our customers. The performance measures in this Corporate Plan reflect the conclusion of this work, our desire to continue to satisfy our customers, and some new measures to bring our Environment, Social and Governance (ESG) Framework to life.



The support we provide to our customers is what drives the RIC's purpose and culture. We have articulated a new set of strategic objectives for 2023-2026 to direct activities that further this support of our purpose. At the close of the 2022-23 financial year, we approved loans valued at over \$3.158 billion and have supported more than 2,992 customers since our inception in 2018. Through our specialised concessional finance, we aim to have a positive impact on Regional Australia and the agriculture industry by providing capital to stimulate the growth, resilience, and sustainability of Australia's agricultural economy.

We are acutely aware of the economic and environmental challenges faced by farm businesses. Closer relationships with our customers will bring us greater insights on how the RIC can best stand beside farm businesses to support their important role in our economy and in Regional Australia.

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

Karen Smith-Pomeroy
Chair

A handwritten signature in black ink, appearing to read 'John Howard'.

John Howard
Chief Executive Officer

2. Purpose – why we are here



Outcome statement

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



Purpose statement

To support the growth, resilience, and sustainability of Australia's agricultural economy

We have streamlined and strengthened our purpose statement to reflect our role in the agricultural economy, supporting farm businesses throughout the business cycle from recovery from business disruptions to business innovation and adaptation. Adding 'sustainability' to our purpose statement reflects the environmental, financial, and operational sustainability that RIC loans offer to our customers.



Functions

- to administer farm business loans
- to administer programs prescribed by the Rules



Key activities - summary

- deliver loans in accordance with Guidelines, funding appropriations and application decision timelines
- manage all aspects of the loan portfolio including credit risk
- implement the final stages of the transformation program to insource loan service delivery functions
- increase customer satisfaction
- deliver new products or amendments as directed by the Australian Government
- develop an ESG framework

Vision

A stronger Australia through thriving regions



We support the Australian Government's agriculture policy through the delivery of concessional loans that strengthen farm businesses and farm-related small businesses.

By providing the agriculture industry with access to capital, we aim to stimulate industry growth, promote adaptation, foster resilience, and support emerging and at-risk markets. This investment increases on-the-ground business and economic activity and provides tangible benefits to farm businesses and regional communities across Australia.

Strategic objectives

Our 2023-2026 strategic horizon will focus on excellence in concessional lending by delivering outcomes for our customers and stakeholders that makes an impact on Australian agriculture.

Objective	We will
To be valued by customers for the outcomes we achieve	Deliver simple and seamless customer experiences that build satisfaction and value for the customers we support
To be a key partner in agricultural policy delivery	Be influential in applying our expertise and insight to the design and implementation of loan products that customers need, and that achieve outcomes the government seeks
To be a leader in Australian Government service provision	Be leaders in government service delivery, demonstrating excellence in the way we manage our business operations
To be known for making a difference	Build a strong reputation as a trusted agricultural partner, derived from expert advice, capability, and service delivery of concessional loans

3. Operating context

Environment

The Australian agricultural industry has faced a range of challenges throughout the past 12 months.

Our research tells us the key concerns among our customer base about the future are rising interest rates, income volatility, equipment costs, labour hire, water security/drought, and succession planning¹. These concerns and challenges persist across the industry, demonstrating an ongoing need for concessional lending.

Damaging rainfall and flooding have impacted the east coast brought about by a third consecutive year of La Niña. Elsewhere, the above-average rainfall has led to increased production for most commodity types resulting in a record gross production forecast, making inroads towards the target of \$100 billion by 2030².

Strong commodity prices and a positive agricultural outlook drove continued growth in Australian farmland prices with a 20% year-on-year increase in the median price per hectare, making 2022-23 the ninth consecutive year³ of compounded annual growth.

The rise in agricultural production and general favourable weather conditions is likely to result in lower demand for RIC disaster-related loan products; however, the level of interest in family succession activities and new farmers taking their first steps into farming is likely to increase.

In contrast to this, an impending return to El Niño conditions and predicted softening of supply chains and commodity prices will place uncertainty on Australian farms and small farm-related businesses. This will be compounded by increased interest rates and higher input costs placing more pressure on farm businesses.

With our increasing customer base, our focus during the reporting period will be on managing the loan portfolio and the associated requirements of both the Australian Government and our customers.

Capabilities

Our people are the foundation for our long-term success. We have continued to develop our people strategy to achieve this through:

- embedding and living our culture statements
- hiring and retaining the best people anywhere in Australia through a hybrid work model

¹ JWS Customer Research Report, July 2023

² 2030 Roadmap, Australian Agriculture's Plan for a \$100 Billion Industry 2019, National Farmers Federation

³ Rural Bank 2023, Australian Farmland Values 2023

- building capability and accountability through a focus on continuous development of our workforce

We will continue to develop our workforce and succession planning, talent management, retention, development, and wellbeing activities across the RIC to create a diverse, talented, and highly engaged workforce.

Figure 1: Culture statements



As we change our business model to insource services, we have invested in ICT infrastructure to support the loan management and origination system.

Improvements in ICT capability supports the efficient delivery of loans to new customers and allows us to manage our portfolio of existing customers for the lifetime of their loan.

To implement these system deployments, we are continuing to operate with a lean internal ICT team supported through system and domain-specific managed support services. Investment in cloud-only IT infrastructure leveraging whole-of-government licencing, platforms, and frameworks reduces operational overheads. The RIC maintains compliance with the Information Security Manual (ISM) to protect systems and data from cyber threats.

Our people and ICT initiatives will be reviewed and evaluated on an ongoing basis to ensure we continue to strengthen our capability and deliver on our vision for Regional Australia.

Risk oversight and management

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

We take a proactive approach to risk management, consistent with the Commonwealth Risk Management Policy, through our Risk Management Framework and Policy. The framework sets out the organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management within the RIC. All our staff understand the role they play in managing risks as part of their day-to-day activities.

Our enterprise-wide risks and mitigation strategies as outlined in Table 1 are in line with our risk appetite and tolerance.

Table 1: Enterprise-wide risks and mitigation strategies 2023-27

Enterprise-wide risk	Key mitigation strategy
RIC loan programs do not deliver the intended benefit to rural and regional Australia, or the benefit cannot be demonstrated.	<ul style="list-style-type: none"> • Providing regular lending activities and results reporting to the RIC Executive, Department of Agriculture, Fisheries and Forestry and Responsible Ministers • Conducting market research and case studies with RIC loan recipients • Providing advice to government on the impacts to rural and regional communities, including advice on policy settings • Conducting program monitoring and evaluation activities • Undertaking engagement with key stakeholders
The loan portfolio falls outside the acceptable risk profile, with expected credit loss and outright loss being greater than expected.	<ul style="list-style-type: none"> • Credit Risk Appetite Statement in place with regular reporting including to the Accountable Authority • Loan Guideline knowledge centre containing policies, procedures, and work guides implemented • Delegations based on risk, specialist staff expertise and training programs • Loan reviews are undertaken on a regular basis • Structured oversight committee to review watchlist accounts
The RIC cannot meet stakeholder expectations in relation to processing files within expected timeframes.	<ul style="list-style-type: none"> • Monitor Lending Service Provider contractual delivery and increase RIC staff resources including ongoing development of staff • Activating a stakeholder engagement strategy to strengthen customer and stakeholder messaging • Monitor agricultural conditions and outlook to be aware of emerging demand • Improving loan application workflow reporting and monitoring and an escalation plan for unanticipated demand spikes • Undertaking internal credit policies and procedures improvement reviews • Undertaking a review of loan assessment policy and procedures
The RIC does not have adequate resources to deliver on expectations.	<ul style="list-style-type: none"> • Increase in RIC staff resources to supplement Lending Service Provider • Process improvement initiatives are implemented through a technology transformation program • Processes in place to ensure resources are allocated to priority areas • Approval from the Minister for Finance to access Retained Earnings in the 2023-24 financial year
The RIC loses operational capability.	<ul style="list-style-type: none"> • Secure Software as a Service (SaaS) ICT platforms with service standards are utilised and backed by managed service agreements • Workforce planning strategies including flexible work arrangements provided to staff to facilitate remote working and securing necessary talent nationwide • Delivery of a transformation program that enhances technology platforms to directly support key functions and business operations
That the transformation program does not deliver the change intended – functional outcomes are below expectation, timelines are not met or not delivered within approved funding.	<ul style="list-style-type: none"> • Comprehensive governance processes including regular steering committee meetings, independent assurance program, specialist project management capability and reporting to Executive and Accountable Authority • Structured project methodology in place to respond to changing business requirements

Enterprise-wide risk	Key mitigation strategy
Reputation is compromised by risks beyond the RIC's direct control.	<ul style="list-style-type: none">• Maintain a MoU with the Department of Agriculture, Fisheries and Forestry• Build meaningful relationships and maintain appropriate and regular interactions with stakeholder, government, and ministerial officials• Development and implementation of stakeholder and media engagement strategies• The Board undertakes its specific role in providing Future Drought Fund advice to the Minister for Agriculture, Fisheries and Forestry, and deals appropriately with actual or potential conflicts of interest in accordance with its approved policy• Investment in improved systems, including an escalation plan, to respond to demand and new programs
The RIC is unable to attract and retain suitable staff and access to staff is impacted by staff absenteeism.	<ul style="list-style-type: none">• People Strategy that deals with recruitment, development and retention of key staff including flexible working arrangements and working conditions, future skills assessment, and succession planning• Work, health, and safety including employee wellbeing programs• Access to labour hire personnel to offset staff shortages
The RIC is unable to maintain adequate control and cyber security over its information, records and data resulting in the loss, theft, manipulation, destruction, unauthorised access, or breach of client information.	<ul style="list-style-type: none">• Maintain all systems and infrastructure in accordance with the Protective Security Policy Framework and ISM framework, including a program of continuous improvement• Data loss prevention controls and alerts to secure our data and records are implemented and disaster recovery plans maintained• Routine independent cyber security reviews conducted• Specialist cyber security firm engaged for ongoing system security monitoring and advisory services• Education and staff training in the proper and safe use of information systems



Cooperation

Our focus is on providing practical support and capital investment to help rural and regional communities achieve economic growth, agricultural productivity, sustainability, and resilience. We rely on strategic partnerships with our stakeholder network to keep up to date with industry needs and trends, and to create awareness of the use and benefits of RIC loans.

Our key stakeholders are a diverse mix of government entities, agricultural and financial industries, and most important of all – our customers in Regional Australia.

Regional Australia

Every day we interact with potential and existing customers across Regional Australia and cooperate with their trusted advisers and representatives to assess, approve, and settle loans as well as the ongoing review of existing loans. These relationships are where we have the most impact in fulfilling our purpose, by easing the impacts of business disruption, hastening recovery, and supporting investment in farm businesses; all of which have flow-on effects to regional communities and economies.



Government Entities

We support the Australian Government's agricultural policy agenda by delivering prudent concessional lending that achieves policy outcomes. We are supported by our Responsible Ministers, Senator the Hon Murray Watt, Minister for Agriculture, Fisheries and Forestry, and Senator the Hon Katy Gallagher, Minister for Finance, and their departments. We work closely with agencies where we share interests, such as National Emergency Management Australia and the Rural Financial Counselling Service. As a Corporate Commonwealth Entity and Special Investment

Vehicle, we collaborate and share learnings with other similar entities and participate in whole-of-government forums and initiatives. For example, we consulted with the Department of Agriculture, Fisheries and Forestry, the Clean Energy Finance Corporation, the Australian Public Service Net Zero team and the Department of Climate Change, Energy, Water and the Environment in establishing our ESG Framework.

Agriculture Industry

The access to capital that we provide to the agriculture industry supports it to grow, adapt and increase its output. We work across the agriculture industry, from national and state peak bodies and industry groups to individual farm businesses.

For the industry's success and growth, we seek to understand its challenges and opportunities so that we can support industry growth targets and gain its support in disseminating information to the industry on the uses and benefits of RIC loans.

Finance Industry

The RIC has a specific purpose in financial markets to support eligible customers who are in financial need, but viable in the long term. The RIC does not compete with commercial banks, instead it shares a client with their commercial bank, and returns them to their bank at the end of their loan term.

Communicating and collaborating with our customers' commercial banks is key to efficiently servicing a RIC loan for its duration across the multiple parties involved. Maintaining cooperative working relationships with commercial banks and the Australian Banking Association remains a key aspect of delivering our finance.

Figure 2: Our stakeholders



4. Performance and key activities

Activities which remain core to our business, such as driving customer satisfaction, managing risk, and delivering new products as directed by the Australian Government, have carried over from previous plans and will continue into the future.

By the end of calendar year 2023, we will conclude two key activities to insource our loan management and origination system and implement an associated workforce realignment to support the insourced business model. This is an exciting milestone for the RIC that will enhance our performance into the future, by delivering the operating model and tools we need to own and deliver a simple and seamless customer experience, an ability to rapidly respond to future government priorities, and achieve cost savings in future years.

Through our customer experience principles and new insourced business model, we aim to maintain a customer satisfaction rating of above 80%.

Figure 3: Customer experience principles



The full suite of the RIC's 2023-24 Performance Measures in Table 2 is broadly in line with those for 2022-23 but now include the first stages of our ESG framework, including the commencement of a Reconciliation Action Plan and collection of greenhouse gas emissions data and associated reporting.



Table 2: 2023-24 to 2026-27 Key activities, performance measures & targets

Key activities	Performance measures	Targets	2023 - 24	2024 - 25	2025 - 26	2026 - 27
We will deliver our loans in accordance with funding appropriations available and application decision timelines.	Number and value of loans approved	Support provided within appropriation limits ¹	✓	✓	✓	N/A
	Deliver services efficiently within approved funding	Operate within approved operating budget ²	✓	✓	✓	✓
	Loan processing timeframe	85% of eligible loans decisioned in 30 RIC-handling days for the loan facility of \$218M ¹	✓	✓	✓	N/A
We will manage the credit risk in the loan portfolio, with a focus on ensuring all new loans are assessed in line with the credit risk appetite statement	Risk is managed within acceptable tolerances	95% of new loan decisions are consistent with the risk appetite ³	✓	✓	✓	✓
We will implement the final stages of the transformation program, involving the deployment of new technology that insources loan management and origination, and realigns our workforce and capability to a new operating model	Implement a loan management system	Loan management system implemented and functional ⁴	Dec 23	N/A	N/A	N/A
	Workforce capability aligned to the new operating model	Workforce plan implemented and embedded ⁵	Dec 23	N/A	N/A	N/A
We will increase customer satisfaction to enhance our customer service and experience	Improved customer satisfaction	Customer satisfaction rating above 80% ⁶	✓	✓	✓	✓
We will deliver new products or product amendments as directed by the Australian Government.	Responsive and efficient delivery of new products and enhancements	New products delivered on time and within appropriation limits ⁷	✓	✓	✓	✓
We will develop a framework for ESG and associated reporting.	Adoption of government policy and expectations on ESG	Progress towards carbon net zero	✓	✓	✓	✓
		Develop a Reconciliation Action Plan	✓	✓	✓	✓

Data sources:

¹ Monthly loan data

² Portfolio Budget Statements (PBS), Financial Statements and Management Reports

³ Risk appetite statement and risk reporting data

⁴ Project management reporting

⁵ Human Resources and ERP reporting

⁶ Customer surveys

⁷ Project management reporting and PBS

