

REGIONAL INVESTMENT CORPORATION

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REGIONAL INVESTMENT CORPORATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Regional Investment Corporation (RIC) is a corporate Commonwealth entity established by the *Regional Investment Corporation Act 2018*. An independent Board oversees the RIC and is responsible for providing loans to eligible farm businesses and advising government on nationally significant water infrastructure projects.

The RIC will streamline the administration of farm business loans, delivering national consistency and ensuring loans are prudently assessed in a timely manner to help farmers in need. The concessional loans program will support the long-term strength, resilience and profitability of eligible farm businesses by helping them to build and maintain diversity in the markets they supply, and to take advantage of new and emerging opportunities across Australia and overseas. Loans will be targeted to farm businesses that mainly supply, or intend to mainly supply, products into supply chains that are interstate or overseas. The RIC will also provide concessional loans to help eligible farm businesses prepare for, manage through and recover from periods of drought.

The RIC will also provide independent advice to government on projects for consideration under the National Water Infrastructure Loan Facility (NWILF) and then deliver approved loans to the states and territories to fast-track the construction of priority water infrastructure projects. The NWILF is designed to assist state and territory government co-investment in vital water infrastructure. Loan funding aims to accelerate the construction of major water infrastructure projects such as dams, weirs, pipelines, managed groundwater (aquifer) recharge and wastewater reuse schemes that deliver broad public benefits, including through increased regional water availability and security for water users. Funding for the NWILF is appropriated to the Department of Infrastructure, Regional Development and Cities.

The RIC achieves this through its outcome:

Outcome 1: Encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Commonwealth's farm business concessional loans and the National Water Infrastructure Loan Facility.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Regional Investment Corporation – Resource Statement – Budget Estimates for 2018–19 as at Budget May 2018

	<i>2017–18 Estimated actual \$'000</i>	2018–19 Estimate \$'000
Opening balance/cash reserves at 1 July	-	-
Funds from Government		
Annual appropriations – ordinary annual services ^(a)		
Outcome 1	-	12,555
<i>Total annual appropriations</i>	-	12,555
Total funds from Government	-	12,555
Funds from other sources		
Revenues from other independent sources	-	4,773
<i>Total funds from other sources</i>	-	4,773
Total net resourcing for RIC	-	17,328
	2017–18	2018–19
Average staffing level (number)	-	32

(a) Appropriation Bill (No. 1) 2018–19. Appropriation is provided through the Department of Agriculture and Water Resources and is specified within the Annual Appropriation Bills as a payment to the RIC.

Please note: All figures shown above are GST exclusive - these may not match figures in the cash flow statement.

Prepared on a resourcing (i.e. appropriations available) basis.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the Regional Investment Corporation are detailed in *Budget Paper No. 2: Budget Measures 2018–19* and are summarised below.

Table 1.2: Regional Investment Corporation 2018–19 Budget measures

Part 1: Measures announced since the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO)

RIC does not have any 2018–19 Budget measures.

Part 2: Other measures not previously reported in a portfolio statement

RIC does not have any other measures not previously reported in a portfolio statement.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in annual reports – to provide an entity's complete performance story.

The first corporate plan for the Regional Investment Corporation will be published in early 2018–19. This will form the basis for the 2018–19 annual performance statements in the annual report to be tabled in 2019.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1: Encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Commonwealth’s farm business concessional loans and the National Water Infrastructure Loan Facility.

Linked programs

<p>Department of Agriculture and Water Resources</p> <hr style="border-top: 1px dotted black;"/> <p>Program:</p> <ul style="list-style-type: none"> • Program 1.11: Drought Programs
<p>Contribution to Outcome 1 made by linked program:</p> <p>The Regional Investment Corporation works together with the Department of Agriculture and Water Resources to ensure more sustainable, productive, internationally competitive and profitable Australian agricultural industries.</p>
<p>Department of Industry, Innovation and Science</p> <hr style="border-top: 1px dotted black;"/> <p>Programs:</p> <ul style="list-style-type: none"> • Program 2: Growing Business Investment and Improving Business Capability
<p>Contribution to Outcome 3 made by linked programs:</p> <p>The Regional Investment Corporation and the Department of Industry, Innovation and Science are working to enhance northern Australia’s water security and agricultural productivity through identification and funding of new water infrastructure through the National Water Infrastructure Loan Facility.</p>
<p>Department of Infrastructure, Regional Development and Cities</p> <hr style="border-top: 1px dotted black;"/> <p>Program:</p> <ul style="list-style-type: none"> • Program 3.3: Cities
<p>Contribution to Outcome 3 made by linked program:</p> <p>The Regional Investment Corporation works with the Department of Infrastructure, Regional Development and Cities to support state and territory investment in water infrastructure that will provide affordable water to support the growth of regional economies.</p>

Table 2.1.1: Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Outcome 1: Encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Commonwealth's farm business concessional loans and the National Water Infrastructure Loan Facility.					
	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
Program 1.1: Regional Investment Corporation					
Revenue from Government					
Ordinary annual services (Appropriation Bill (No. 1)) ^(a)	-	12,555	12,964	13,369	13,590
Revenues from other independent sources	-	4,773	12,411	20,048	27,686
Total expenses for program 1.1	-	17,328	25,375	33,417	41,276
Outcome 1 totals by resource type					
Revenue from Government					
Ordinary annual services (Appropriation Bill (No. 1))	-	12,555	12,964	13,369	13,590
Revenues from other independent sources	-	4,773	12,411	20,048	27,686
Total expenses for Outcome 1	-	17,328	25,375	33,417	41,276
	2017–18	2018–19			
Average staffing level (number)	-	32			

(a) The RIC is a corporate Commonwealth entity (CCE) under the PGPA Act and does not receive direct appropriations. Instead, this funding passes through the Department of Agriculture and Water Resources to the RIC.

2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2018 –19 Budget measures have created new programs or materially changed existing programs.

Outcome 1 – Encourage growth, investment and resilience in Australian farm businesses and rural and regional communities by delivering the Commonwealth’s farm business concessional loans and the National Water Infrastructure Loan Facility.		
Program 1.1: Regional Investment Corporation		
Objectives	<p>Provide practical support and investment to help rural and regional communities achieve economic growth, agricultural productivity and resilience through the delivery of farm business loans and water infrastructure loans.</p> <p>The Corporation’s farm business loans provide low-cost finance to farm businesses that are in financial need of assistance, to recover from short-term hardship, but are assessed as financially viable over the long-term and able to repay the loan.</p> <p>The Corporation administers water infrastructure loans to the states and territories to support long-term regional economic growth and development by investing in economically viable water infrastructure that will provide secure and affordable water.</p>	
Delivery	<p>Concessional loans are delivered directly to eligible farm businesses in a streamlined and nationally consistent way.</p> <p>Applications for water infrastructure loans from all states and territories are assessed and the achievement of project milestones monitored to enable loan instalments of funding.</p>	
Performance information		
Year	Performance criteria^(a)	Targets
2017–18	The entity is established with appropriate structures in place for the delivery of farm business loans and the assessment and administration of water loans.	Finalised.
2018–19	All eligible farm businesses have access to farm business loans.	Establishment of a nationally consistent delivery model.
	The water loan facility is available to states and territories.	No days are lost in the transfer of the administration of the loan facility to RIC.

Continued on following page

Contributions to Outcome 1 (continued)

Performance information (continued)		
Year	Performance criteria^(a)	Targets
2018–19 (continued)	Loan monies (farm business loans and water loans) are disbursed and received accurately and in line with contractual and legislative requirements.	100 per cent.
	Farm businesses improve their circumstances through access to concessional financial assistance.	\$250 million is made available to eligible farm businesses in need to improve their circumstances (2019–20 and beyond).
2019–20 and beyond	All eligible farm businesses have access to farm business loans.	Delivery channels ensure timely and accurate access to information and assessment for all eligible farm businesses.
	Loan monies (farm business loans and water loans) are disbursed and received accurately and in line with contractual and legislative requirements.	100 per cent.
	Farm businesses improve their circumstances through access to concessional financial assistance.	\$250 million is made available to eligible farm businesses in need to improve their circumstances (2019–20 and beyond).
	Greater capacity for regional and economic growth, water security and affordability and irrigation and agriculture.	States and territories can co-invest in projects. Approved water infrastructure projects complement the outcomes of the Murray Darling Basin Plan, where relevant. Approved water infrastructure projects are in accordance with the National Water Initiative.
Purpose	To provide loans that support the long-term strength, resilience and profitability of Australian farm businesses and for water infrastructure that will provide secure and affordable water supplies to support the growth of regional economies and communities.	

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018–19 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Explanatory notes and analysis of budgeted financial statements

The Regional Investment Corporation is budgeting for a balanced budget position in 2018–19. The Corporation’s expected employee and supplier expense budget is \$12.6 million in 2018–19 and \$13.0 million in 2019–20.

In 2018–19, the Corporation will develop its corporate ability to support the provision of loans to eligible farm businesses and advice to government on nationally significant water infrastructure projects. As a new entity, this will include growth of all facets of internal capability.

The expense budget reflects the work programs for the Corporation in receiving and evaluating loan applications and managing approved loans to eligible farm businesses, as well as evaluating projects for consideration under the National Water Infrastructure Loan Facility, providing independent advice to the Government and delivering approved loans to the states and territories.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1 Comprehensive income statement (showing net cost of services) (for the period ended 30 June)

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
EXPENSES					
Employee benefits	-	4,254	4,253	4,278	4,298
Supplier	-	8,301	8,711	9,091	9,292
Finance costs	-	4,773	12,411	20,048	27,686
Total expenses	-	17,328	25,375	33,417	41,276
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Other	-	4,773	12,411	20,048	27,686
Total own-source revenue	-	4,773	12,411	20,048	27,686
Total own-source income	-	4,773	12,411	20,048	27,686
Net cost of (contribution by) services	-	(12,555)	(12,964)	(13,369)	(13,590)
Revenue from Government ^(a)	-	12,555	12,964	13,369	13,590
Total revenue from Government	-	12,555	12,964	13,369	13,590
Surplus/(deficit) attributable to the Australian Government	-	-	-	-	-
Total comprehensive income/(loss) attributable to the Australian Government	-	-	-	-	-

(a) The RIC is a corporate Commonwealth entity (CCE) under the PGPA Act and does not receive direct appropriations. Instead, this funding passes through the department to the RIC.

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
ASSETS					
Financial assets					
Trade and other receivables	-	250,000	500,000	750,000	1,000,000
Total financial assets	-	250,000	500,000	750,000	1,000,000
Non-financial assets					
Intangibles	-	-	-	-	337
Total non-financial assets	-	-	-	-	337
Total assets	-	250,000	500,000	750,000	1,000,337
LIABILITIES					
Payables					
Other payables	-	250,000	500,000	750,000	1,000,000
Total payables	-	250,000	500,000	750,000	1,000,000
Total liabilities	-	250,000	500,000	750,000	1,000,000
Net assets	-	-	-	-	337
EQUITY*					
Parent entity interest					
Contributed equity	-	-	-	-	337
Total Equity	-	-	-	-	337

*'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity—summary of movement (Budget year 2018–19)

The departmental statement of changes in equity – summary of movement (Budget year 2018–19 does not apply to the RIC for this Budget update.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2017–18 Estimated actual \$'000	2018–19 Budget \$'000	2019–20 Forward estimate \$'000	2020–21 Forward estimate \$'000	2021–22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Receipts from Government	-	12,555	12,964	13,369	13,590
Other	-	4,773	12,411	20,048	27,686
Total cash received	-	17,328	25,375	33,417	41,276
Cash used					
Employees	-	4,254	4,253	4,278	4,298
Suppliers	-	8,301	8,711	9,091	9,292
Borrowing costs	-	4,773	12,411	20,048	27,686
Total cash used	-	17,328	25,375	33,417	41,276
Net cash from (used by) operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Advances for loans	-	250,000	250,000	250,000	250,000
Total cash received	-	250,000	250,000	250,000	250,000
Cash used					
Purchase of property, plant and equipment	-	-	-	-	337
Loans made	-	250,000	250,000	250,000	250,000
Total cash used	-	250,000	250,000	250,000	250,337
Net cash from (used by) investing activities	-	-	-	-	(337)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	-	-	-	-	337
Total cash received	-	-	-	-	337
Net increase (decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	-	-	-	-	-
Cash and cash equivalents at the end of the reporting period	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Equity injections - Bill 2	-	-	-	-	337
Total new capital appropriations	-	-	-	-	337
<i>Provided for:</i>					
Purchase of non-financial assets	-	-	-	-	337
Total items	-	-	-	-	337
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	-	-	-	337
TOTAL	-	-	-	-	337
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	-	-	-	-	337
Total cash used to acquire assets	-	-	-	-	337

Consistent with information contained in the Statement of Asset Movements and the Budgeted Statement of Cash Flows.

Table 3.6: Statement of asset movements (Budget year 2018–19)

The statement of asset movements (Budget year 2018–19) does not apply to the RIC for this Budget update.

Table 3.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

The schedule of budgeted income and expenses administered on behalf of Government does not apply to the RIC.

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

The schedule of budgeted assets and liabilities administered on behalf of Government does not apply to the RIC.

Table 3.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

The schedule of budgeted administered cash flows on behalf of Government does not apply to the RIC.