



Department of
Primary Industries and
Regional Development

Digital Library

All other publications

Journal articles, reports, books and book
chapters

2020

Rural Business Development Corporation Annual Report 2020

Department of Primary Industries and Regional Development, Western Australia

Follow this and additional works at: <https://library.dpird.wa.gov.au/pubns>



Part of the [Agricultural Economics Commons](#), and the [Regional Economics Commons](#)

Recommended Citation

Department of Primary Industries and Regional Development, Western Australia. (2020), *Rural Business Development Corporation Annual Report 2020*. Department of Primary Industries and Regional Development, Perth, Western Australia. Report.

This report is brought to you for free and open access by the Journal articles, reports, books and book chapters at Digital Library. It has been accepted for inclusion in All other publications by an authorized administrator of Digital Library. For more information, please contact library@dpird.wa.gov.au.

2020

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

2020

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



Statement of Compliance

For year ended 30 June 2020

HON ALANNAH MACTIERNAN

Minister for Regional Development; Agriculture and Food; Ports

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Rural Business Development Corporation for the reporting period ended 30 June 2020.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Rural Business Development Corporation Act 2000*.



Andrew Clark
Chairman
19 August 2020



Amanda McLean
Director
19 August 2020

Rural Business Development Corporation Annual Report for the year ended 30 June 2020

Rural Business Development Corporation

C/- Department of Primary Industries and Regional Development (DPIRD)
Locked Bag 4
Bentley Delivery Centre WA 6983

Freecall 1800 198 231

ABN 84 524 088 562

Email rbduloans@dpird.wa.gov.au

Website www.agric.wa.gov.au/rbdc

ISSN 2205-7900

Copyright © Department of Primary Industries and Regional Development, 2020

Important disclaimer

The Chief Executive Officer of the Department of Primary Industries and Regional Development, the Rural Business Development Corporation and the State of Western Australia accept no liability whatsoever by reason of negligence or otherwise arising from the use or release of this information or any part of it.

Photography by Peter Maloney, Department of Primary Industries and Regional Development.

Guide to this Report

This report presents the statutory compliance, performance and operational reporting for the financial year ending 30 June 2020. It consists of four principal sections and appendices:

Overview — provides a snapshot of the year in review and outlines who we are and what we do, the industries and communities we support, and how we go about our business.

Agency performance — outlines what we have achieved along with details of how we performed against targets for the year.

Significant issues — describes current and emerging issues and trends impacting on our operations.

Disclosures and legal compliance — details our financial situation and performance against our key performance indicators (KPIs) along with reports on staffing, governance and legal and policy issues.

In this report, we refer to the Rural Business Development Corporation as ‘the Corporation’ or ‘RBDC’.

Acronyms and abbreviations

CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAWR	Department of Agriculture and Water Resources (Commonwealth)
DAIP	Disability Access and Inclusion Plan
DAFWA	Department of Agriculture and Food, Western Australia
DCLS	Drought Concessional Loans Scheme
DPIRD	Department of Primary Industries and Regional Development
DWER	Department of Water and Environmental Regulation
DHS	Department of Human Services
FFCLS	Farm Finance Concessional Loans Scheme
FDMS	Farm Debt Mediation Scheme
FTE	Full-time equivalent (staff hours)
KPI	Key performance indicator
NA	Not applicable
NCoS	Net cost of service
NRM	Natural resource management
OBM	Outcome-based management
OSH	Occupational safety and health
PSC	Public Sector Commission
R&D	Research and development
RFCS	Rural Financial Counselling Service (Commonwealth)
RFCSWA	Rural Financial Counselling Service of Western Australia
SBDC	Small Business Development Corporation of Western Australia
WA	Western Australia



Contents

Statement of Compliance	4	Statement of Changes in Equity.....	27
Guide to this Report	5	Statement of Cash Flows.....	28
Overview of Agency	8	Statement of Consolidated Account Appropriations.....	29
Executive Summary: Chairman's Overview	9	Audited Key Performance Indicators 2019 - 2020	39
Operational Structure.....	10	Ministerial Directives	41
Significant Issues Impacting the Corporation	19	Other Financial Disclosures	42
Disclosures and Legal Compliance	22	Governance Disclosures.....	43
Financial Statements	25	Government Policy Requirements.....	44
Statement of Comprehensive Income.....	26	Appendix 1 - RBDC Board Skills at Matrix at May 2020.....	45
Statement of Financial Position	27	Contact Information.....	48

Overview of Agency

About the RBDC

The Rural Business Development Corporation (RBDC) is an independent statutory authority of the Government of Western Australia (WA). The RBDC was established in 2000 under the *Rural Business Development Corporation Act 2000* (RBDC Act). The RBDC Act preserved and continued the body corporate established by the *Rural Adjustment and Finance Corporation Act 1993*.

What we do

The role of the RBDC is to properly and fairly administer approved assistance schemes for the rural sector on behalf of the WA Government and deliver services for the benefit of rural industry.

This is achieved by providing advice, guidance and support that will help the sector to be sustainable from an economic, social and environmental perspective.

The RBDC Act allows the RBDC to administer any appropriate assistance scheme that is approved by both the Minister and the Treasurer. The RBDC also provides advice to the Minister on a range of rural issues.

The RBDC works directly with primary producers, fishers and foresters, and liaises with industry organisations and other relevant stakeholders to ensure evidence supports its advice and actions.

The RBDC raises awareness of the importance of viability and sustainability in relation to primary production and small businesses in rural and regional WA and encourages economic growth and cohesive resilient communities.



Responsible minister

The Honourable Alannah MacTiernan MLC, Minister for Regional Development; Agriculture and Food; Ports is the Minister responsible for the RBDC.

Enabling legislation

The *Rural Business Development Corporation Act 2000* makes provision for the establishment of the RBDC Board and Chief Executive Officer.

Our strategic intent

VISION		
The Rural Business Development Corporation contributes to a strong primary industries sector for Western Australia.		
MISSION		
Provide trusted independent advice and governance to the WA government for investment in and support of primary industries.		
OBJECTIVES		
<ol style="list-style-type: none"> 1. Improve the long-term profitability and viability of primary industries and businesses. 2. Administer, develop and evaluate the functions of the RBDC under the objectives of the Act. 3. Provide evidence-based advice to inform policy that supports growth of primary industries and regional development. 		
STRATEGIES		
1. Provide governance, develop and manage primary industry schemes of assistance for economic development.	2. Inform government investment for growth in primary industry and regional development.	3. Research to inform policy development.

Executive Summary



Chairman's Overview

On behalf of the Rural Business Development Corporations (RBDC) Board, it is my pleasure to introduce this year's annual report, detailing how the Corporation is remaining adaptive and responsive in meeting the needs of Western Australian farming and fishing businesses, their families and the rural communities and small businesses that support the sector.

The State's public sector has continued to consolidate, and the Corporation continues to review its strategic direction and approach to designing and delivering schemes of assistance that support rural and regional Western Australians.

The ongoing challenges facing some farming sectors in the Eastern parts of Australia has seen the Australian Government establish a policy framework that is more applicable to the different climatic zones across Australia and the many different types of farming and fishing that occur. Western Australia is unique as our farming and fishing sectors extend from the Southern Ocean temperate zone to the Timor Sea tropics, while also encompassing the Indian Ocean Mediterranean zone and extending to the dry inland desert region.

During the past year community expectation in relation to the commercial financial sector, animal welfare and environmental sustainability has been heightened by the global COVID-19 pandemic. Most WA farming, fishing and industry support businesses continue to evolve their management practices to accommodate these issues and maintain a profitable and viable business, however the pandemic forcing Government to lock down society, commerce and trade has caused added implications. As a result, many WA farming and fishing businesses have been significantly impacted by the COVID-19 shut down and their recovery is expected to be slow.

The RBDC has continued to strengthen partnerships and collaborations with State Government agencies, Australian Government agencies and the Not-for Profit sector. These networks have proved invaluable during the COVID-19 response, with the RBDC providing regular and reliable intelligence about the health and financial wellbeing of WA farming and fishing businesses and sectors to the State's emergency management team.

Our close working relationship with the Small Business Development Corporation and Rural West allowed the RBDC to quickly support expansion of free financial counselling to the many small community businesses in regional WA that suffered financially when borders were closed and movement within the State restricted. Supporting these small businesses is essential in helping to maintain the social fabric within the rural and regional communities.

I would like to acknowledge the staff and resources provided by the Department of Primary Industries and Regional Development and the continued hard work and dedication to the sector. This contribution is appreciated and the Board looks forward to continuing our close working relationship so that farm and fishing families and rural communities continue to adapt and prosper throughout Western Australia.

I also recognise and thank all members of the Board for their interest and commitment over the past year. They continue to provide trusted, independent advice to the Minister and Government, and they are ready to develop, design and implement initiatives that will ensure Western Australia continues to have a dynamic and sustainable rural sector.

Andrew Clark
Chair

Operational Structure

RBDC Board

The RBDC is governed by an independent Board drawn from the private sector under the auspices of the RBDC Act.

Membership as at 30 June 2020.



Andrew Clark (Chair)

Andrew brings over a quarter of a century of financial and banking experience to the RBDC. Having grown up in a family farming business in the central wheatbelt of WA, Andrew went on to study Agricultural Business and Commerce before entering the world of banking. He is passionate and tenacious in his commitment to farming and regional businesses across WA and continues to volunteer his time to many Boards and Committees, including a number focused on the wellbeing of people living and working in regional WA.



Amanda McLean (Director)

Amanda is an experienced and successful farm business owner and managing partner of an agricultural consulting business. She has also worked part time as a Rural Financial Counsellor in the Central and South West agricultural and Kimberley regions, using her expertise in finance and farm business management to assist farming and small businesses in financial stress.



Tara Chambers (Director)

Tara brings her expertise in finance and business law to the Board. With a background working in financial planning and commercial finance, Tara now works in community banking in the eastern parts of the Wheatbelt and is an active member of the community. She is currently the Treasurer of the Wheatbelt Business Network Inc and a Committee member of Girl Guides Western Australia Finance Committee.



Natalie Purdy (Director)

Natalie brings a range of experience and skill developed while working in local government and the rural banking sector. For the past decade Natalie has worked in banking in regional WA. She is also a member of the GRDC Grower Network for Kwinana West Zone and a committee member of the Facey Group.

David Williams resigned as Director effective 25 January 2020. David served 2 terms (6 years) on the Board.

RBDC Operations



Ralph Addis (CEO)

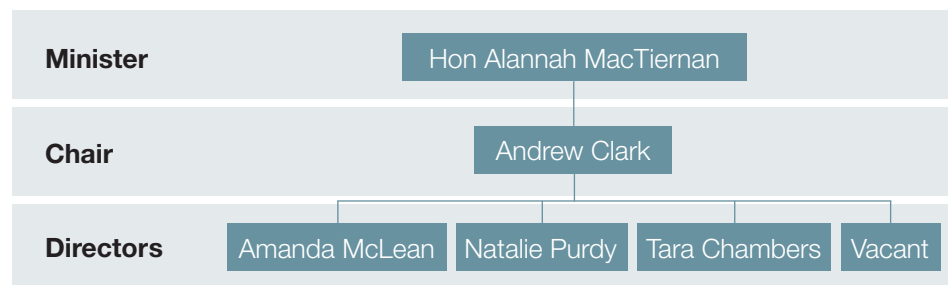
Ralph was appointed Chief Executive Officer (CEO) of the RBDC following the Machinery of Government amalgamation of the Departments of Agriculture and Food, Fisheries and Regional Development. He is the current Director General of the Department of Primary Industries and Regional Development (DPIRD).

The CEO is responsible for administering the day to day operations of the RBDC. The CEO is appointed under Section 9 of the *Rural Business Development Corporation Act 2000*.

The services of the RBDC are delivered by DPIRD under agreement, with DPIRD providing all necessary resources, including appropriately skilled staff, for the RBDC to fulfil its role and function.

DPIRD is responsible for the personal and professional development of its staff as the employer and will meet annual reporting requirements in relation to all services it provides to the Corporation. This includes compliance with the range of key legislation applicable to the public sector and public officers.

RBDC Operations



Terms of appointment remuneration

Name	Gender	Position on Board	Remuneration \$ amount p.a.	Section of act	First appointment date	Term of appointment (commencing and expiring)	
Andrew CLARK	Male	Chairman	\$32,432.00	Section 12	25/01/17	25/01/17	24/01/22
*Amanda MCLEAN	Female	Director	\$16,276.00	Section 12	30/09/14	25/01/17	24/01/20
Natalie PURDY	Female	Director	\$16,276.00	Section 12	10/06/19	10/06/19	24/01/22
Tara CHAMBERS	Female	Director	\$16,276.00	Section 12	10/06/19	10/06/19	24/01/21

* Amanda McLean is awaiting confirmation of reappointment for a further 3 year term. She has continued to fulfil the duties of a Director since 25 January 2020.

Ceased members 2019 - 2020

Name of Director	Gender	Date Ceased	Reason
David WILLIAMS	Male	24/01/2020	Term of office expired – did not seek re-appointment

Administered legislation

The Rural Business Development Corporation does not administer any subsidiary, related or affiliated legislation.

Other key legislation impacting on the RBDCs activities

The RBDC does not employ staff. DPIRD provides all services under a Memorandum of Understanding (MoU), including the provision of resources and staff to enable the RBDC to undertake its functions.

As the employer of staff, DPIRD is responsible for the personal and professional skills development of the employees, including the Public Sector and Occupational Safety, Health and Injury Management annual reporting requirements.

In the performance of its functions, the RBDC complies with the following relevant written laws:

- Auditor General Act 2006
- Disability Services Act 1993
- Financial Management Act 2006
- Freedom of Information Act 1992
- Occupational Safety and Health Act 1984
- Workers Compensation and Injury Management Act 1981
- Public Sector Management Act 1994
- State Records Act 2000
- State Supply Commission Act 1991

- Equal Opportunity Act 1984
- The Legal Deposits Act 2012
- Electoral Act 1907

Electoral Act 1907

In relation to advertising, market research, polling, direct mail and media advertising, the RBDC reports the following in compliance with section 175ZE of the *Electoral Act 1907*;

- Total Expenditure for 2019-2020 was \$NIL.
- RBDC has not incurred expenditure of this nature

Freedom of Information Act 1992

The RBDC is required under the Freedom of Information Act (FOI) to prepare and publish an Information Statement on its activities in regard to Freedom of Information issues.

This Annual Report forms part of the required Information Statement. The DPIRD FOI Coordinator deals with all FOI applications in relation to RBDC clients. Clients may access files and documents outside the FOI guidelines where the documentation or file refers particularly to a client's personal dealings with the Corporation.

Client information may be available to other parties. Documents which have reference to third parties may require editing before release is considered. There were no FOI requests made to the RBDC during the financial year.

Disability Services Act 1993

As the employer of staff, DPIRD is responsible for complying with the *Disability Services Act 1993* (Disability Access and Inclusion Plan Outcomes).

State Records Act 2000

The MOU with DPIRD stipulates DPIRD is responsible for the provision of an efficient and effective record-keeping system, records management training, the review of training and provision of an induction program that addresses employee roles and responsibilities in relation to their compliance with the DPIRD record keeping plan.

Auditor Generals Act 2006

The RBDC Internal Audit Committee was established by the Board to provide a monitoring mechanism for the review of the performance of the internal audit function and management audit reports. The RBDC appoints independent professionals to undertake the internal audit of RBDC schemes and governance. DPIRD is responsible for internal audit functions in relation to its delivery of services. The RBDC is currently reviewing its Audit Charter.

Performance management framework

The RBDC's performance management framework is an outcome-based management (OBM) framework established some years ago. The current OBM framework will be revised and updated to better align with the OBM established for DPIRD under the Machinery of Government changes initiated in 2017.

The RBDC contributes to the success of the State Government's current goal of 'Future jobs and skills'.

Outcome-based management framework

Government goal:

Stronger Focus on the Regions: Greater focus on service delivery, infrastructure and economic development to improve the overall quality of life in remote and regional areas.

Desired Outcome	Effectiveness indicators	Service	Efficiency indicators
Improved ecologically sustainable development of agri-industry.	The extent which recipients were satisfied with the way schemes are administered by the Corporation.	Farm business development	<ul style="list-style-type: none"> The proportion of administrative expenditure of loan value advanced. The administration cost per loan advanced amount.

Changes to outcome-based management framework

The RBDCs outcome-based management framework did not change during 2019-20.

Shared responsibilities with other agencies

The RBDC works closely with a range of national, state and local governments, non-government organisations, service delivery agents and industry partners to achieve desired outcomes. We value our strong working relationships with these organisations.

- The RBDC works closely with the Small Business Development Corporation (SBDC) to provide a voluntary Farm Debt Mediation service to encourage early intervention in financial disputes between farm business owners and their financiers.
- The RBDC works closely with the Australian Government to deliver the Farm Finance and Drought Concessional Loans Schemes.

Operational Structure

Report on operations

Key achievements

- We contributed valuable intelligence and insights to the State's emergency management team about the health, wellbeing and financial impact of the COVID-19 responses on regional small businesses.
- We contributed to the Commonwealth Government's consultative process for the Future Drought Fund.
- We progressed our Strategic Plan, identifying and agreeing to a number of actions to be initiated.
- We commissioned an audit of our decision making for the FFCLS and DCLS as part of our ongoing commitment to continuous improvement.

Farm Debt Mediation Scheme (FDMS)

The RBDC established the Farm Debt Mediation Scheme in June 2015. The FDMS provides an opportunity for farmers or pastoralists and their financial institution to resolve commercial debt disputes through professional mediation. The FDMS relies on the voluntary participation of parties and the Small Business Development Corporation (SBDC) provides mediation services under agreement with the RBDC.

A total of 6 applications for farm debt mediation were submitted during the financial year. At 30 June 2020, there are 2 applications under case management.

Farm Finance Concessional Loan Scheme (FFCLS)

The Australian Government established the FFCLS in 2013 to provide viable farm businesses finding it increasingly difficult to service debt with low interest loans to enhance on-farm productivity or to restructure their debt. Applications for FFCLS closed on 30 June 2015. A total of 122 applications were received and assessed, with 46 applications approved at a total value of \$15.04 million.

At 30 June 2020, there are 18 active loan accounts with total principal outstanding of just over \$7 million.

Drought Concessional Loan Scheme (DCLS)

The Australian Government established the DCLS in 2014 to help farm businesses affected by drought to recover, prepare for future droughts and return to viability in the longer term. Applications for DCLS closed on 30 June 2017. A total of 37 applications were received and assessed, with 8 applications approved at a total value of \$4.15 million.

At 30 June 2020, there are 6 active loan accounts with total principal outstanding of just under \$3.5 million.

Financial targets and results

	2020 Target ⁽¹⁾ (\$000)	2020 Actual (\$000)	Variation ⁽²⁾ (\$000)	Explanation of significant variations
Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)	488	566	78	The expenditure profile for the RBDC was reduced to reflect the assumption there would be less cost incurred as clients had indicated they were paying out their loans early.
Net cost of services (sourced from Statement of Comprehensive Income)	(396)	(520)	124	The variation is largely attributable to the reduced interest revenue received as a result of historically low rates.
Total equity (sourced from Statement of Financial Position)	4,575	4,522	53	The variation reflects the RBDC has less cash at bank than anticipated as a result of reduced interest revenue.
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(160)	(265)	105	The variation is largely due to interest rates continually dropping throughout the year and consequently reduced interest revenue received.

(1) As specified in the 2019-20 Budget Statements.

(2) Further explanations are also contained in the 'Explanatory statement' to the financial statements.

Key performance indicator (KPI) targets and results

This section summarises our results against our KPI targets.

Effectiveness indicators are intended to help us assess the extent to which we are successful in achieving our outcomes. Efficiency indicators are to help us monitor the relationship between the service delivered and the resources used to produce the service.

The RBDC acknowledges its KPI's are only reflective of performance in relation to the concessional loans schemes, and note the very small sample is not statistically valid. The RBDC will request DPIRD prioritise work on developing appropriate and relevant KPI's.

Desired Outcome

Improved ecologically sustainable development of agri-industry.

This outcome is met by administering schemes of support to Western Australian rural industry on behalf of the State.

Key effectiveness indicator

The RBDC's key effectiveness indicator measures the extent to which recipients are satisfied with the way schemes are administered by the Corporation. The target is to maintain a level of satisfaction of at least 90%.

There was a statistically significant drop in client satisfaction this year compared to last year's result. The 2019-20 survey recorded a large response bias where respondents consistently chose the second highest level response over the highest or most favourable response. This is likely attributable to the worsening dry seasonal conditions in many agricultural areas and clients not able to conduct their annual financial review with their financiers in person as a result of COVID-19 restrictions. Many financiers reported a number of challenges with moving this process fully online, consistently highlighting the frustration experienced trying to conduct virtual meetings when digital connectivity is problematic.

It was noted that responses to the qualitative question were convincingly more positive than received in previous years, with 26% of respondents providing praise and compliments about the DPIRD staff they have interacted with and the streamlined review process. The positive feedback in 2018-19 was 7%.

Unfortunately, there was an increase in the number of respondents who indicated they were unhappy with the amount of information required to conduct the review of their loan account and also an increase in the number who had problems

completing their review online (43% in 2019-20 compared to 4% in 2018-19). Many of these respondents indicated they are not required to complete annual reviews with their commercial financier so there is likely an element of resentment at having to comply with the requirement.

Year	Sample size	Level of satisfaction (%)
2017-18	55	89%
2018-19	23	89%
2019-20	21	77%

Key efficiency indicator

The RBDC's key efficiency indicators are intended to demonstrate schemes of assistance are innovative and cost-effective. The current indicators were established when the main activity of the RBDC was the administration of concessional loan schemes. As these schemes are rapidly approaching their cease date, the RBDC is keen to have more appropriate indicators developed and approved.

The targets for the indicators were reduced for 2019-20 through the budget process and were detailed in the RBDC's Resource Agreement. The budget process for 2020-21 has been delayed because of the COVID-19 responses, therefore there is no Resource Agreement to indicate the next financial year targets.

Significant issues impacting the Corporation

Current and emerging issues and trends

Climate change in Western Australia

There continues to be a watching brief on the Western Australian climatic conditions, particularly as we continue to see new records set for temperature and rainfall and storm intensity. Models are indicating the El Nino conditions that have had such devastating effects on the Eastern parts of Australia is waning and attention has shifted to the potential development of La Nina conditions.

The RBDC monitors seasonal outlooks and climatic conditions with a view to identifying likely business outcomes. Of concern during the past few years has been parts of the Great Southern region and parts of the Southern Rangelands. Many businesses in these areas have had to destock as water supplies have run out and water has needed to be carted to farms.

Widespread water deficiency declarations

Lack of water has been a significant issue across most of the agricultural regions of WA over the past year and seasonal outlooks suggest this is likely to continue. Rainfall events have been patchy and have not been large enough for runoff to occur, leaving many dams close to empty. The current prediction is for most farms to have less than three weeks of on-farm water supplies available. This is of particular concern for those farm families with livestock.

There has been an unprecedented number of Water Deficiency Declarations made in WA during the year, with 12 current. This highlights the significant impact climate change is having across WA. The declaration is generally made as a last resort when on-farm and community water supplies are at a critically low level. The RBDC continues to monitor the assistance being provided by the State Government, noting it is currently focused on improving community water supplies.

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry recommended the Commonwealth Government establish a legislated national farm debt mediation program. The Commonwealth Government has not accepted the recommendation fully, suggesting each State and Territory establish their own legislation modelled on that developed and implemented by New South Wales. The legislated model makes it mandatory for business owners and their financiers to participate in debt mediation once the financier has taken formal legal action.

The approach taken in Western Australia is to encourage business owners and their financiers to use mediation to work through issues when they arise. The early adoption of the mediation process allows farm businesses to preserve equity and provides the opportunity to resolve issues before legal action has been taken by financiers.

The RBDC will consider continuing its Farm Debt Mediation Scheme after the Commonwealth Government establishes national legislation, particularly as feedback from participants consistently indicates the voluntary early intervention approach is quicker and less costly for all parties.

Machinery of Government changes

The creation of DPIRD as part of the government's public sector reforms has impacted the RBDC in a number of ways over an extended period of time. The integration has been a lengthy process, with the loss of staff and their corporate knowledge a significant risk.

Economic and social trends

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

One of the outcomes of the Royal Commission has been a tightening of lending processes and procedures to ensure financiers are practicing and adhering to responsible banking practices. This has resulted in greater governance requirements around access to both short and long term debt for businesses.

COVID-19

Infectious disease outbreaks like the current COVID-19 pandemic are both frightening and disruptive, affecting the physical and mental health of people as well as affecting the profitability and viability of small businesses. With its extensive networks across rural WA and understanding of the social support assistance available, the RBDC was called on to contribute intelligence and insights to the State emergency response team. The RBDC quickly turned to weekly virtual meetings to ensure the State was kept well informed of potential pressure points and opportunities to provide support.

Changes in written law

Future Drought Fund Act 2019 (Commonwealth)

The Commonwealth Government has established the Future Drought Fund Act 2019 (the Act). The Act establishes the Future Drought Fund as a permanent and secure funding stream to help and support Australian farmers and rural communities to be prepared to manage droughts and to be resilient to the financial, environmental and human health effects of drought.

The Fund will begin on 1 July 2020 with an initial credit of \$3.9 billion. The Commonwealth Government aims to grow this investment to \$5 billion over the next decade, allowing them to make \$100 million available each year for projects and initiatives that will enhance public good by building drought resilience.

The RBDC sees the Future Drought Fund as a major opportunity for Western Australian farm businesses and their communities and will continue working with key stakeholders to identify and develop large scale projects that can improve the resilience and drought preparedness of all the businesses in the agricultural supply chain.

Likely developments and forecast results of operations

Concessional loans schemes

The RBDC continues to manage the maturation of the Commonwealth Government's loans under the Drought and Farm Finance Concessional Loans Schemes.

Farm Debt Mediation Scheme

The RBDC expects an increase in demand for mediation over the coming year, particularly from regionally based small businesses that service the agricultural industry and farm businesses that are focussed on producing for export markets. The COVID-19 pandemic restrictions will have an impact on business cashflows and the RBDC is liaising closely with the Agrifinance Alliance to determine when issues will start causing problems. Most of the finance sector is currently suggesting the end of the first quarter of 2020-21 is likely to be a pressure point.

Disclosures and Legal Compliance

Independent Auditor's Report



Our Ref: 5650-03

Chairman
Rural Business Development Corporation
Locked Bag 4, Bentley Delivery Centre
BENTLEY WA 6983



Office of the Auditor General
Serving the Public Interest

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Fax: 08 6557 7600
Email: info@audit.wa.gov.au

Dear Sir

**RURAL BUSINESS DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2020**

The Office has completed the annual audit of the financial statements, controls and key performance indicators for your agency. We enclose a copy of the opinion of the Auditor General, together with a set of the audited financial statements and key performance indicators. We have forwarded the audit opinion, financial statements and key performance indicators to the Minister for Agriculture and Food.

The result of the audit was satisfactory. Please note that the purpose of our audit was to express an opinion on the financial statements, controls and key performance indicators. The audit included consideration of internal control relevant to the preparation of the financial statements and key performance indicators in order to design audit procedures that were appropriate in the circumstances. It also included consideration of internal control for the purpose of expressing an opinion on the effectiveness of internal control in ensuring compliance with requirements prescribed by the *Financial Management Act 2006* and Treasurer's Instructions.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and have not been identified as a result of our audit.

The date that agencies provided their financial statements to the Office has been recorded for purposes of reporting to Parliament. I advise that the date recorded for the receipt of your financial statements was 11 July 2020.

This letter has been provided for the purpose of the Rural Business Development Corporation and the relevant Minister and may not be suitable for other purposes.

I would like to take this opportunity to thank you, your management and staff for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7683 if you would like to discuss these matters further.

Yours faithfully

KIEN NEOH
DIRECTOR
FINANCIAL AUDIT
2 August 2020

Attach



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

RURAL BUSINESS DEVELOPMENT CORPORATION

Report on the financial statements

Opinion

I have audited the financial statements of the Rural Business Development Corporation which comprise the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Summary of Consolidated Account Appropriations for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Rural Business Development Corporation for the year ended 30 June 2020 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical 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.

Responsibility of the Board for the financial statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and 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 agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's responsibility for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are 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 Australian 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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Report on controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Rural Business Development Corporation. The controls exercised by the Corporation are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Rural Business Development Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2020.

The Board's responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Rural Business Development Corporation for the year ended 30 June 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Rural Business Development Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2020.

The Board's responsibility for the key performance indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My independence and quality control relating to the reports on controls and key performance indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements and key performance indicators of the Rural Business Development Corporation for the year ended 30 June 2020 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.



VINCE TURCO
SENIOR DIRECTOR
FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
24 August 2020

Financial Statements

Certification of Financial Statements

For the year ended 30 June 2020

The accompanying financial statements of the Rural Business Development Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2020 and the financial position as at 30 June 2020.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Mandy Taylor
Chief Financial Officer
19 August 2020



Andrew Clark
Chairman
Rural Business Development Corporation
19 August 2020



Amanda McLean
Director
Rural Business Development Corporation
19 August 2020

Statement of Comprehensive Income

For the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Cost of services			
Expenses			
Supplies and services	2.2	98,279	64,570
Department of Primary Industries and Regional Development (DPIRD) contracted services	2.1	350,980	400,188
Other expenses	2.2	23,311	21,637
Board member fees		94,098	91,838
Total cost of services		566,618	578,233
Income			
Revenue			
Interest revenue		46,262	105,915
Total revenue		46,262	105,915
Total income other than income from state government		46,262	105,915
Net cost of services		(520,356)	(472,318)
Income from state government			
Service appropriation	3.1	236,000	235,000
Services received free of charge		-	-
Total income from state government		236,000	235,000
Deficit for the year		(284,356)	(237,318)
Other comprehensive income		-	-
Total comprehensive loss for the year		(284,356)	(237,318)

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	5.1	4,571,928	4,837,612
Receivables	4.1	7,367	23,491
Total current Assets		4,579,295	4,861,103
Total assets		4,579,295	4,861,103
Liabilities			
Current liabilities			
Payables	4.2	56,788	54,240
Total current liabilities		56,788	54,240
Total liabilities		56,788	54,240
Net assets		4,522,507	4,806,863
Equity			
Accumulated surplus		4,522,507	4,806,863
Total equity		4,522,507	4,806,863

The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2020

	Accumulated surplus \$	Total equity \$
Balance at 1 July 2018	5,044,181	5,044,181
Deficit for the year	(237,318)	(237,318)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(237,318)	(237,318)
Balance at 30 June 2019	4,806,863	4,806,863
Balance at 1 July 2019	4,806,863	4,806,863
Deficit for the year	(284,356)	(284,356)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(284,356)	(284,356)
Balance at 30 June 2020	4,522,507	4,522,507

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from state government			
Service appropriations		236,000	235,000
Net cash provided by state government		<u>236,000</u>	<u>235,000</u>
Utilised as follows:			
Cash flows from operating activities			
Payments			
Supplies and services		(95,731)	(42,019)
DPIRD contracted services		(350,980)	(400,188)
GST payments on purchases		-	(2,400)
Board member fees		(94,048)	(91,838)
Other payments		(24,720)	(21,600)
Receipts			
Interest received		62,245	111,549
GST receipts from taxation authority		141	237
Other receipts		1,409	2,363
Net cash used in operating activities		<u>(501,684)</u>	<u>(443,896)</u>
Net decrease in cash and cash equivalents		(265,684)	(208,896)
Cash and cash equivalents at the beginning of the year		<u>4,837,612</u>	<u>5,046,508</u>
Cash and cash equivalents at the end of year	5.1	<u>4,571,928</u>	<u>4,837,612</u>

The Statement of financial position should be read in conjunction with the accompanying notes.

Summary of Consolidated Account Appropriations

For the year ended 30 June 2020

	Budget estimate 2020 \$	Supplementary Funding 2020 \$	Revised Budget 2020	Actual 2020	Variance 2020
<u>Delivery of Services</u>					
Net amount appropriated to deliver services	236,000	-	236,000	236,000	-
Section 25 Transfer of service appropriation					
Amount Authorised by Other Statutes					
- <i>Salaries and Allowances Act 1975</i>	-	-	-	-	-
Total appropriations provided to deliver services	236,000	-	236,000	236,000	-
<u>Capital</u>					
Capital appropriations	-	-	-	-	-
<u>Administered Transactions</u>					
Administered grants, subsidies and other transfer payments	-	-	-	-	-
Administered capital appropriations	-	-	-	-	-
Total administered transactions	-	-	-	-	-
GRAND TOTAL	236,000	-	236,000	236,000	-

No supplementary income was received by the Corporation.

Notes to the Financial Statements

Subject	Disclosure Note	Title of the Policy and/or disclosure note
Basis of preparation	1	Statement of compliance
		Judgements and estimates
		Contributed equity
Use of Our Funding Sources	2.1	DPIRD contracted service costs
	2.2	Other expenditure
Our funding sources	3.1	Income from State Government
Other assets and liabilities	4.1	Receivables
	4.2	Payables
Financing	5.1	Cash and cash equivalents
	5.2	Commitments
Financial instruments and contingencies	6.1	Financial instruments
	6.2	Contingent assets and liabilities
Other disclosures	7.1	Events occurring after the end of the reporting period
	7.2	Initial application of Australian Accounting Standards
	7.3	Key management personnel
	7.4	Related parties
	7.5	Related bodies
	7.6	Affiliated bodies
	7.7	Commonwealth Concessional Loan Scheme
	7.8	Remuneration of auditors
	7.9	Supplementary financial information
	7.10	Explanatory statement

Note 1. Basis of preparation

The Rural Business Development Corporation (“Corporation”) is a statutory authority established under Section 5 of the Rural Business Development Corporation Act 2000. The entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. A description of the nature of its operations and its principal activities have been included in the ‘Overview’ which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the agency on 19 August 2020.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

1. The Financial Management Act 2006 (FMA)
2. The Treasurer’s Instructions (the Instructions or TI)
3. Australian Accounting Standards (AASs) – Reduced Disclosure Requirements
4. Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The Financial Management Act 2006 and the Treasurer’s Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest dollar.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

Note 2: Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the Corporation's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Corporation in achieving its objectives and the relevant notes are:

		2020	2019
	Notes	\$	\$
DPIRD contracted services	2.1	350,980	400,188
Other expenses	2.2	121,590	86,207

2.1 DPIRD Contracted Service Costs

	2020	2019
	\$	\$
DPIRD contractors and service overheads		
DPIRD contractors	142,802	230,657
Contractor related expenses (mileage, transfer costs, training)	8,567	13,242
Service agreement overheads	199,611	156,289
	350,980	400,188

2.2 Other expenditure

	2020	2019
	\$	\$
Supplies and services		
Services and contracts	96,268	63,442
Supplies consumed	2,011	1,128
Total supplies and services expenses	98,279	64,570
Other expenditures		
Expected credit losses expense	(1,409)	(2,363)
Audit fees	24,720	24,000
Total other expenditures	23,311	21,637
Total other expenses	121,590	86,207

Supplies and services: Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Expected credit losses expense: The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other: Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Note 3: Our funding sources**How we obtain our funding**

This section provides additional information about how the Corporation obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Corporation and the relevant notes are:

	Notes	2020	2019
		\$	\$
Income from State Government	3.1	236,000	235,000
		2020	2019
		\$	\$
3.1 Income from State Government			
Appropriation received during the period			
Service appropriation ^(a)		236,000	235,000
		236,000	235,000

There were no services received free of charge from other State government agencies during the period (2019: Nil).

The Corporation has adopted AASB 15 and AASB 1058 from 1 July 2019, however, it has had no impact on the treatment of income from State Government.

(a) Service appropriations are recognised as revenues at fair value in the period in which the Corporation gains control of the appropriated funds. The Corporation gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury. Service appropriations fund the net cost of services delivered.

Note 4: Other assets and liabilities

This section sets out those assets and liabilities that arose from the Corporation's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

		2020	2019
	Notes	\$	\$
Receivables	4.1	7,367	23,491
Payables	4.2	56,788	54,240

4.1 Receivables

	2020	2019
	\$	\$
Trade receivables	13,050	14,600
Allowance for impairment of trade receivables	(13,050)	(14,600)
Accrued interest	6,181	22,164
GST receivable	1,186	1,327
	7,367	23,491

Trade receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

4.2 Payables

	2020	2019
	\$	\$
Accrued expenses	56,788	54,240
	56,788	54,240

Payables: Payables are recognised at the amounts payable when the Corporation becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

Note 5: Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the Corporation.

	Notes
Cash and cash equivalents	5.1
Commitments	5.2
Capital commitments	5.2.1
Other expenditure commitments	5.2.2

5.1 Cash and cash equivalents

	2020	2019
	\$	\$
Rural Business Development Corporation		
General Operating Funds	4,571,928	4,837,612
	4,571,928	4,837,612

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

5.2 Commitments

5.2.1 Capital commitments

There are no known capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements.

5.2.2 Other expenditure commitments

There are no known other expenditure commitments contracted for at the reporting date, not otherwise provided for in these financial statements.

Note 6: Financial instruments and contingencies

This note sets out the key risk management policies and measurement techniques of the Corporation.

	Notes
Financial instruments	6.1
Contingent liabilities and contingent assets	6.2

6.1 Financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2020	2019
	\$	\$
Financial assets not measured at fair value		
Cash and cash equivalents	4,571,928	4,837,612
Loans and receivables ^(a)	6,181	22,164
	4,578,109	4,859,776
Financial liabilities not measured at fair value		
Other liabilities: Payables	56,788	54,240

(a) The amount of loans and receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

6.2 Contingent assets and liabilities

There were no contingent liabilities or contingent assets which would affect the Corporation.

Note 7: Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period.	7.1
Initial application of Australian Accounting Standards	7.2
Key management personnel	7.3
Related parties	7.4
Related bodies	7.5
Affiliated bodies	7.6
Commonwealth Concessional Loan Scheme	7.7
Remuneration of auditors	7.8
Supplementary financial information	7.9
Explanatory statement	7.10

7.1 Events occurring after the end of the reporting period

There have been no events after reporting date which would cause the financial statements to be misleading.

7.2 Initial application of Australian Accounting Standards**AASB 15 – Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* for annual reporting periods on or after 1 July 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- Identifying contracts with customers
- Identifying separate performance obligations
- Determining the transaction price of the contract
- Allocating the transaction price to each of the performance obligations
- Recognising revenue as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

The Corporation has adopted AASB 15 standard, however, there has been no material financial impact on the accounting treatment as revenue the majority of its revenue is from government service appropriations.

AASB 1058 is applied to Not-for-Profit Entities for recognising income that is not revenue from contracts with customers. Timing of income recognition under AASB 1058 depends on whether such a transaction gives rise to a liability or a contribution by owners, related to an asset (such as cash or another asset) recognised by an agency.

The Corporation adopts the modified retrospective approach on transition to AASB 1058 and AASB 15. No comparative information is restated under this approach, and the Corporation recognises the cumulative effect of initially applying the standard as an adjustment to the opening balance of accumulated surplus/ (deficit) at the date of initial application (1 July 2019).

Under this transition method, the Corporation elects not to apply the standards retrospectively to non-completed contracts at the date of initial application.

Refer to Note 3.1 for the revenue and income accounting policies adopted from 1 July 2019.

There was no impact on retained earnings on 1 July 2019 as a result of adopting AASB 15 and AASB 1058.

AASB 16 – Leases

From 1 July 2019, AASB 16 *Leases* supersedes AASB 117 *Leases and related Interpretations*. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The Corporation applies AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit). The main changes introduced by the new Standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as a right-of-use asset and lease liability, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (valued less than \$5,000). The operating lease and finance lease distinction for lessees no longer exists.

AASB 16 is applicable to the Corporation, however, it has not had any effect on the treatment at this point in time as the Corporation has no leases, hence the standard has no impact on the accounting treatment of the financial statements.

7.3 Key management personnel

The Corporation has determined that key management personnel include Cabinet Ministers and senior officers of the Corporation. However, the Corporation is not obligated to reimburse for the compensation of Ministers and therefore no disclosure is required. The disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation of senior officers of the Corporation for the reporting period is presented within the following bands:

Compensation band (\$)	2020	2019
30,001 – 40,000	1	1
20,001 – 30,000	-	-
10,001 – 20,000	2	2
0 – 10,000	2	2
	\$	\$
Total compensation of senior officers	98,016	91,838

Total compensation includes the superannuation expense incurred by the corporation in respect of senior officers.

7.4 Related parties

The Corporation is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Corporation include:

- all Cabinet Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Material transactions with other related parties

There were no other material transactions with other related parties.

7.5 Related bodies

There were no related bodies with the Corporation.

7.6 Affiliated bodies

There are no affiliated bodies with the Corporation.

7.7 Commonwealth Concessional Loans Scheme

The Rural Business Development Corporation is acting as an agent for the Commonwealth, therefore, amounts collected on behalf of and passed on to the Commonwealth is not revenue of the Corporation. As the Corporation does not control the funds obtained from the Commonwealth and is required to return all such funds, be it funds not advanced to farmers, or funds advanced to farmers and subsequently collected, the Corporation does not recognise an asset, nor does it record a liability. However, we disclose below these funds held in Trust.

Farm Finance Concessional Loan Scheme

On 12 December 2013 the Commonwealth and the Corporation entered into an agreement whereby the Commonwealth would make available \$50 million for loans for eligible farm businesses in WA which are considered viable in the longer term but are experiencing financial difficulties and require assistance to enhance productivity. The Scheme closed on 30 June 2015.

	2020	2019
	\$	\$
Monies to ultimately be returned to the Commonwealth comprising:		
Cash held with WA Treasury Corporation	-	32
Monies advanced to farmers under the Concessional Loan Scheme	7,009,842	10,350,044
Interest receivable	45,780	112,184
	7,055,622	10,462,260

Drought Concessional Loan Scheme

On 19 September 2014 the Commonwealth and the Authority entered into an agreement whereby the Commonwealth would make available \$20 million for loans for eligible farm businesses in WA impacted by drought but considered to be experiencing financial difficulties and require assistance to restructure existing eligible debt (including a Farm Finance Concessional Loan) and/or provide new debt for operating expenses or drought recovery and preparedness activities. On 12 April 2016, the 2015-16 Drought Concessional Loans Scheme was opened in WA to assist those farmers impacted by drought to access concessional interest rate loans. The Scheme closed on 30 June 2017.

	2020	2019
	\$	\$
Monies to ultimately be returned to the Commonwealth comprising:		
Cash held with WA Treasury Corporation	-	-
Monies advanced to farmers under the Concessional Loans Scheme	3,486,100	3,486,100
Interest receivable	16,023	27,527
	<u>3,502,123</u>	<u>3,513,627</u>

7.8 Remuneration of auditors

Remuneration payable to the Office of the Auditor General in respect of the audit for the current financial year is as follows:

	2020	2019
	\$	\$
Auditing the accounts, financial statements and key performance indicators	24,720	24,000

7.9 Supplementary financial information

During the financial year, \$Nil (2019: \$Nil) was written off in bad debts under the authority of the accountable authority.

7.10 Explanatory statement

The Corporation is exempt from TI 945 Explanatory Statement as their Total Cost of Services is below \$10 million for the two most recent consecutive comparative periods.

Audited Key Performance Indicators 2019 - 2020

Certification of Key Performance Indicators

Rural Business Development Corporation
30 June 2020

Certification of Key Performance Indicators

We hereby certify the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Rural Business Development Corporation's performance, and fairly represent the performance of the Rural Business Development Corporation for the financial year ended 30 June 2020.



Andrew Clark
Chairman
19 August 2020



Amanda McLean
Director
19 August 2020

Detailed information in support of key performance indicators

Government Goal

Stronger Focus on the Regions: Greater focus on service delivery, infrastructure and economic development to improve the overall quality of life in remote and regional areas.

Desired Outcome

Improved ecologically sustainable development of agri-industry.

This outcome is met by administering schemes of support to Western Australian rural industry on behalf of the State.

Year of Survey	Scheme	**Sample size	Maintain at least a 90% level of satisfaction with services provided by the Corporation (%)
The extent which recipients were satisfied with the way schemes are administered by the Corporation			
2017-2018	*Concessional Loans Schemes	55	89%
2018-2019	*Concessional Loans Schemes	23	89%
2019-2020	*Concessional Loans Schemes	21	77%

* Concessional Loans Schemes refers to Farm Finance Concessional Loans Scheme and Drought Concessional Loans Scheme. The last loan scheme was closed to new applications on 30 June 2017.

** Surveying is conducted with clients who had completed the annual review of their account.

The response rate from the survey of the scheme operating in 2019-20 is as follows:

Scheme	**Sample size	Population	Sampling error	Confidence level	Response rate
*Concessional Loans Schemes	21	21	0%	100%	100%

* Includes Farm Finance Concessional Loans Scheme and Drought Concessional Loans Scheme. The last loan scheme was closed to new applications on 30 June 2017

** Surveying is conducted with clients who had completed the annual review of their account.

From 2017-18 survey respondents are asked to provide a satisfaction rating of 1 to 4; where 1 is very dissatisfied and 4 is very satisfied, with the top 2 responses representing a satisfied result.

Client satisfaction was 77% in 2019-20, a statistically significant decrease from the 89% achieved in the 2 previous years. The lower result is due to some client dissatisfaction with the amount of information required to be submitted to complete the annual review of their loan account. This resulted in a decrease in satisfaction with services.

The 2019-20 survey recorded a large response bias where respondents consistently chose the second highest level response over the highest or most favourable response. This is likely attributable to the mental stress associated with worsening dry seasonal conditions in many agricultural areas and not being able to conduct their normal business with their financiers and agronomists in person as a result of COVID-19 restrictions. Many financiers and farm management consultants reported a number of challenges with moving business process fully online, consistently highlighting the frustration experienced trying to conduct virtual meetings when digital connectivity is problematic.

It was noted that responses to the qualitative question were convincingly more positive than received in previous years, with 26% of respondents providing praise and compliments about the DPIRD staff they have interacted with and the streamlined review process. The positive feedback in 2018-19 was 7%.

Unfortunately, there was an increase in the number of respondents who indicated they were unhappy with the amount of information required to conduct the review of their loan account and also an increase in the number who had problems completing their review online (43% in 2019-20 compared to 4% in 2018-19). Many of these respondents indicated they are not required to complete annual reviews with their commercial financier so there is likely an element of resentment at having to comply with the requirement.

The hypothesis there is an underpinning bias against selecting positive responses to the quantitative question is supported by the very positive responses from clients to the qualitative components. Clients are generally very happy with the service provided by the RBDC, with one respondent stating (the service is) "Pretty good as it is. I can't see that it needs much improvement. We certainly appreciate the service we get". There were a few clients who confirmed the lasting impact desired of the scheme, indicating that they have looked at and reviewed their business and practices because of the loan scheme requirements and now have developed their own checks and balances. They indicated they feel their family's future is secured for the long-term.

Service: Farm Business Development

Develop and administer innovative and cost effective assistance measures to benefit Western Australian rural industries.

Key Efficiency Indicators

Key Efficiency Indicator	Target	Unit	2017-18	2018-19	2019-20	2019-20 Target
The proportion of administrative expenditure of loan value advanced	Reduction in the activity costs to administer the schemes of assistance	%	1.40	1.18	1.39	1.15
The administration cost per loan advanced amount	Reduction in the activity costs to administer schemes of assistance	\$	4,972	4,190	4,926	4,074

The main administered activity of the RBDC has been the Commonwealth Farm Finance and Drought Concessional Loans Schemes. The administration cost per loan advanced and the proportion of administrative expenditure of loan value advanced were above the targets set for 2019-20. The increase in administrative cost per loan advanced reflects the increased costs associated with the settlement of loans at their payout, including fees from the State Solicitors Office

in relation to releasing both mortgage and personal property securities. There are also some loan accounts requiring additional management as they have not been paid out as per the loan schedule, mainly the result of adverse seasonal conditions and the COVID-19 pandemic.

The target for 2020-21 has not been set as yet for either of the efficiency indicators because the Corporation's Resource Agreement has not been finalised.

Ministerial Directives

No Ministerial directives were received during the financial year.

Other Financial Disclosures

Pricing Policies of Services Provided

The RBDC does not charge for goods and services rendered unless there is a contractual requirement to charge fees in relation to a specific scheme.

Capital works

No capital projects were completed during the financial year.

Employment and Industrial Relations

Staff Profile	2019	2020
Board member	5	5
	5	5

Staff development

The RBDC has a commitment to the development of Directors. Our strategies are to maintain a highly skilled, professional Board with the ability to adapt to the changing business needs and environment.

The completion of the Australian Institute of Company Directors course by Directors appointed in June 2019 has been delayed by the COVID-19 shutdowns. The RBDC took the opportunity during the shutdown to review its skills matrix and identify skill and knowledge gaps to address in future.

The review highlighted there are 2 essential (E) skills and 4 desirable (D) skills the Directors need to address.

The following table summarises the deficiencies. The complete review is provided in Appendix 1.

Summary of Deficiencies		
There are 6 skills where aggregated score is less than 4.0 (or 80%)		
Essential for all Directors		
Understanding of the Rural Business Development Corporation Act 2000	E	3.75
Understanding of the legal framework in which the board operates	E	3.75
Desirable for all Directors		
Director Experience within the Agricultural Industry	D	3.75
Auditing Experience	D	2.5
Farming Experience	D	3.25
Completed Australian Institute of Company Directors Course	D	3

Workers Compensation

There were no compensation claims during the financial year.

Unauthorised use of credit cards

Members of the RBDC do not hold corporate credit cards. All functions warranting the use of this type of facility are performed by DPIRD.

Governance Disclosures

Freedom of Information Act 1992

The Corporation is required under the *Freedom of Information Act 1992* to publish an information statement on its activities in regard to Freedom of Information (FOI) issues.

- Clients may access files and documents outside the FOI guidelines where the documentation or file refers specifically to a client's personal dealings with the Corporation.
- Client information may be available to other parties in some circumstances, however references to third parties will be reviewed (and redacted if necessary) before release is considered.

The DPIRD FOI Coordinator manages FOI applications relating to RBDC schemes and/or clients. No applications were received during 2019 -20.

State Records Act 2000

The Corporation's agreement with the Department of Primary Industries and Regional Development (DPIRD) stipulates that DPIRD is responsible for the provision of an efficient and effective record-keeping system, records management training, the review of training and provision of an induction program that addresses employee roles and responsibilities in regards to their compliance with their record keeping plans.

Members of the Corporation are provided with a copy of the Public Sector Commission's Good Governance Guide (2018) for Recordkeeping as part of their induction pack.

Internal audit function (Auditor General Act 2006)

The RBDC Internal Audit Committee is a sub-committee of the Corporation Board and is responsible for leading and providing oversight of the governance, probity and performance audits undertaken by the Corporation and to review audit reports. The RBDC utilises the services of appropriately qualified professionals available under the whole of government Common Use Arrangement to undertake the internal audit of RBDC schemes and operations. DPIRD is responsible for all audit functions in relation to its operations.

Induction pack for Corporation members

The induction pack for Corporation members was reviewed and updated during the year to incorporate updates from the Public Sector Commission and key information relevant to public sector boards and committees.

Electoral Act 1907

In relation to advertising, market research, polling, direct mail and media advertising, the RBDC reports the following in compliance with section 175ZE of the Electoral Act 1907;

- Total Expenditure for 2019-20 was \$Nil.
- RBDC has not incurred expenditure of this nature.

Government Policy Requirements

Government building contracts

The RBDC has a commitment to the Government Building Training Policy, and will include appropriate clauses in tender documentation and monitored compliance of in scope building, construction or maintenance contractors for projects with a duration of greater than 3 months and a value of greater than \$2 million.

Number of contracts in scope of the Government Building Training Policy:

Measure	Building and construction 2020	Maintenance projects 2020
Awarded	0	0
Reported on	0	0
Commenced reporting	0	0
Continued reporting from previous reporting period	0	0
Target training rate	0	0
Met or exceeded	0	0
Did not meet	0	0
Granted a variation	0	0

Appendix 1 - RBDC Board Skills at Matrix at May 2020

Skills Matrix - RBDC Board - May 2020

Level of experience / skill: 1 = none, 5 = extensive

A "D" denotes a skill that is desirable to have in the governing board, and an 'E' denotes a skill that is essential within the governing board.

Questions to consider:

Do these responses match expectations?

Are there any implications for our role description or code of conduct?

Do any of the responses have implications for our recruitment strategy?

Do any of the responses raise questions about our induction strategy?

Are the lower scoring competencies issues that could be dealt with by training?

Could we improve any of the lower scoring competencies by mentoring and coaching?

Do we need to review our board based on these responses?

Are there any implications for succession planning?

	Desirable or essential?	Overall	Andrew Clarke	Amanda McLean	Natalie Purdy	Tara Chambers
Essential for all Directors						
Understanding of the Rural Business Development Corporation Act 2000	E	3.75	5	4	3	3
Understanding of the role and your director duties	E	4.25	5	5	3	4
Ability to prepare for board meetings	E	4.75	5	5	4	5
Ability to work in a team and take collective responsibility for decisions	E	5	5	5	5	5
Possess financial literacy and numeracy skills	E	5	5	5	5	5
Have an understanding of the board KPI's	E	4.5	5	5	4	4
To have an understanding of the commercial environment in which rural businesses operate	E	4.75	5	4	5	5

Appendix 1 - RBDC Board Skills at Matrix at May 2020 (continued)

	Desirable or essential?	Overall	Andrew Clarke	Amanda McLean	Natalie Purdy	Tara Chambers
Understanding of the legal framework in which the board operates	E	3.75	4	4	4	3
Ability to work in committees	E	5	5	5	5	5
Willingness to learn	D	5	5	5	5	5
Has basic IT skills (i.e. word processing and email)	D	5	5	5	5	5
Should exist across the governing board						
Ability to read and critique farm business budgets and financial statements	D	5	5	5	5	5
Possess an understanding of education and training	D	5	5	5	5	5
Understanding of industry and community development	D	4.25	4	4	5	4
Understanding of debt securities and debt financing as financial instruments	D	4.75	5	4	5	5
To have an understanding of the commercial environment in which rural businesses operate	D	5	5	5	5	5
Director Experience within the Agricultural Industry	D	3.75	5	5	3	2
Auditing Experience	D	2.5	3	3	2	2
Farming Experience	D	3.25	3	5	3	2
Rural Business Management Experience	D	4.25	4	5	4	4
Ability to analyse and review complex issues objectively	D	4.5	5	5	4	4
Ability to identify problems	D	4.5	5	5	4	4
Ability to question and challenge	D	4.5	5	5	4	4
Visible within the Agricultural community	D	4.75	5	5	5	4
Understanding / Experience of Directors						
Ability to develop and understand compliance criteria	D	4.25	5	5	4	3
Ability to engage with RBDU staff	D	4.5	5	5	5	3

	Desirable or essential?	Overall	Andrew Clarke	Amanda McLean	Natalie Purdy	Tara Chambers
Ability to engage with prospective scheme applicants and Farm business management advisors to discuss schemes under management	D	4.5	5	5	5	3
Ensure accurate reporting of scheme activities and outcomes	E	4.75	5	5	5	4
An understanding of the audit committee's functions	E	4	5	4	3	4
Understand the RBDC code of Conduct / Ethics	E	4.75	5	5	5	4
Personal Attributes						
Completed Australian Institute of Company Directors Course	D	3	5	5	1	1

Contact Information

POSTAL

Locked Bag 4
Bentley Delivery Centre WA 6983

ADDRESS

3 Baron-Hay Court
South Perth WA 6151

ELECTRONIC

Internet: www.agric.wa.gov.au/rbdc

Email: rbduloans@dpird.wa.gov.au

Telephone: 1800 198 231

