



2019-20

RURAL ASSISTANCE AUTHORITY
ANNUAL REPORT



Rural
Assistance
Authority

www.raa.nsw.gov.au

Annual report for the year ending 30 June 2020

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This photo was taken along the floodplains traditionally owned by the Barkandji, Ngemba, Euahlayi and Wayilwan Indigenous Nations.

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ANNUAL REPORT CONTENTS

Our organisation

Our programs

Our customers & stakeholders

Our people

Our governance

Our financials

Appendices



About this report

This annual report summarises the activities and performance of the New South Wales Rural Assistance Authority (RAA) for FY2019–20. This and earlier annual reports are available on the RAA website: www.raa.nsw.gov.au.

Our Reference: V20/30807
Telephone: 1800 678 593

The Hon Adam Marshall MLA
Minister for Agriculture and Western NSW
52 Martin Place
SYDNEY NSW 2000

Dear Minister

NSW Rural Assistance Authority Annual Report 2019-20

I take pleasure in presenting, on behalf of the members of the RAA Board, the 2019-20 Annual Report for the NSW Rural Assistance Authority, in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, and section 10 of the *Rural Assistance Act 1989*.

This report is offered for your information and presentation to Parliament.

Yours sincerely,



Sean O'Connell
CHIEF EXECUTIVE
17/11/20



RURAL ASSISTANCE AUTHORITY

OUR ORGANISATION

Who we are

The NSW Rural Assistance Authority (the RAA) is a specialist administrator of government financial assistance programs including loans, grants, rebates and subsidies on behalf of both the NSW and Australian Governments.

What we do

The RAA plays an active role in contributing to farming and rural policies and provides advice to the Minister for Agriculture and Western NSW. For more than 30 years, the RAA has helped farm businesses and rural communities become more resilient, self-reliant and sustainable. Financial assistance is also provided to small businesses and primary producers to help them recover from natural disaster events and deal with difficult financial situations.

Our purpose

We deliver flexible and cost-effective assistance programs that encourage self-reliance, facilitate change, help build resilience and drive smart agriculture into the future.

Our values

Integrity, Trust, Service, Accountability

Our resources

At 30 June 2020, the RAA had 52 fixed term ongoing staff and 42 temporary, casual or contingent staff.

The RAA operated with total funding expenditure of \$270 million and \$554 million of loans under management.

Our charter

The NSW Rural Assistance Authority (the RAA) was established by the *Rural Assistance Act 1989* (NSW). The RAA is a statutory body under the *Public Finance and Audit Act 1983* (NSW) and the Chief Executive is a statutory senior executive under the *Government Sector Employment Act 2013* (NSW). The function of the RAA is to administer a wide range of assistance measures to the rural sector using both Commonwealth and State funding. While the rural sector is its core client, the RAA is also responsible for small businesses and not-for-profits that have suffered loss or damage due to natural disaster.

RAA TIMELINE

1932

Creation of Farmers Relief Board – charged with preventing creditors from taking action against farmers on debts

1939

Transition to Rural Reconstruction Board

1971

Became the Rural Assistance Board – principal responsibility for administration of Commonwealth Rural Assistance Schemes and the Rural Adjustment Scheme, which was for Drought and then Exceptional Circumstances

1989

NSW Rural Assistance Authority came into being under the *Rural Assistance Act 1989*

1994

Farm Debt Mediation Act (NSW) came into effect

1997

Moved headquarters from Sydney to Orange

2018

Farm Debt Mediation Act 1994 amended

2020

An organisation of 94 staff and more than 0.5\$ billion under management.

Current Drought Begins (Mid-2017)

Cyclone Oma Storm (Feb 2019)

Cassilis Storm
Tabulam Hail Storm (March 2019)

Far West Floods (April 2019)

Bush Fires (September 2019 - January 2020)

COVID Pandemic
Move to working from home

Storms and Floods (January 2020)

BOM issue La Niña alert (August 2020)

Drought comes to an end
for large parts of NSW

REPORT FROM THE CHIEF EXECUTIVE



2019-20 – THE BUSIEST YEAR IN RAA HISTORY

I was appointed to the newly created position of Chief Executive of the RAA in February 2020. I acknowledge the contributions of my immediate predecessors – Kate Lorimer-Ward as Chief Executive and John Newcombe as Director.

This last year was the busiest and most demanding in the RAA's history, dominated by the continuing drought, the widespread bushfires in NSW, and the unprecedented COVID-19 crisis, all of which have taken a tremendous toll on our rural and regional communities.

We worked hard to meet the challenge, close to doubling the number of staff and migrating to a new loans and grants system (SIDECar) to make it easier and faster to get assistance to where it was most needed.

EMERGENCY PROGRAM DELIVERY TOOK PRECEDENCE

We did many things to help people through these challenging times.

We approved 24,429 applications and more than \$751 million across all loan, subsidy and rebate schemes, a 113% increase on the previous year. There are thousands of farmers and small businesses who are now on the long road back to recovery because of the assistance provided by the NSW Government through the RAA.

The size of the task resulting from the widespread and catastrophic NSW bushfires was unparalleled. As at 30 June 2020:

- \$2.7 million had been disbursed in 'normal' loans and transport subsidies
- 91.8 million had been disbursed in grants of up to \$75,000
- \$10.3 million had been disbursed in loans of \$50,000 and \$500,000.

We moved with speed to get this assistance out to those affected, at the same time as responding to farmers worn down by drought.

In 2019-20, we delivered record drought assistance with:

- \$116 million approved for Drought Transport Subsidies (DTS)
- \$105 million approved for Drought Assistance Fund (DAF) loans
- \$12.8 million approved for Emergency Water Infrastructure Rebate Scheme.

A consequence of these competing priorities was that processing times for the Farm Innovation Fund were longer than our target, however the team still approved \$126 million in loans for resilience-building improvements such as for digging dams, bores, and installing tanks, silos and sheds. Regrettably the Commonwealth Government did not provide additional funding for its Emergency Water Infrastructure Rebate program, as it had done previously, leaving a number of customers unable to be funded at balance date.

These issues aside, we've played a critical role for the NSW Government in urgently and efficiently responding to the needs of people affected by bushfires, floods and COVID-19.

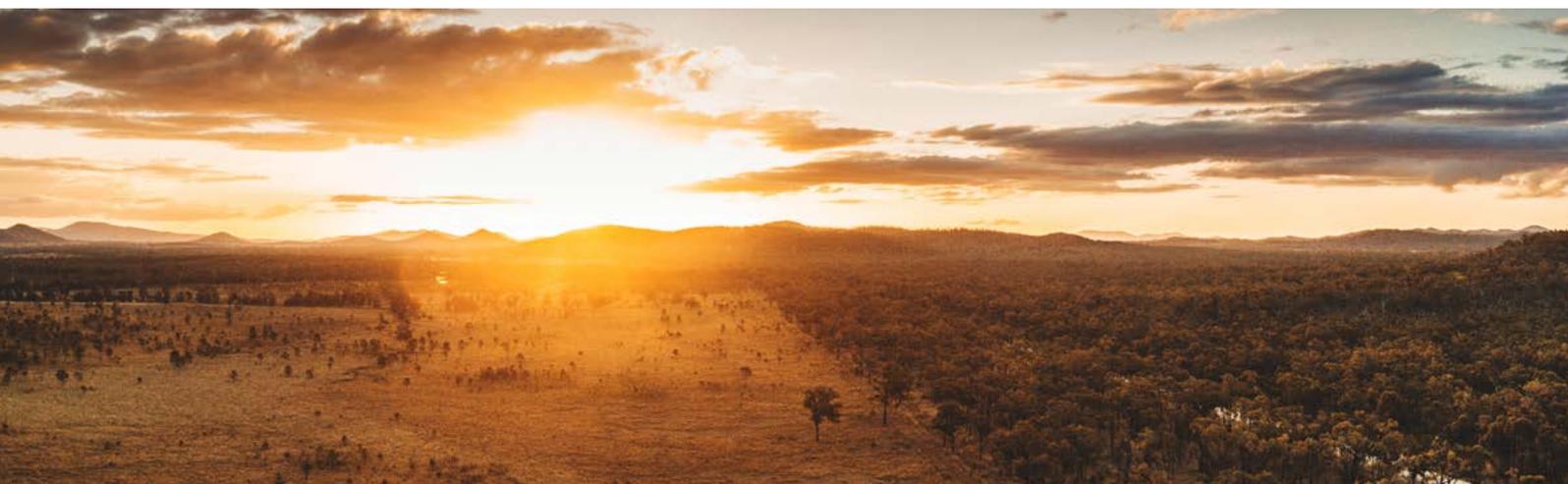
IMPACTS OF COVID-19 – ON OUR CUSTOMERS, OUR STAFF AND OUR OPERATIONS

RAA keeps in regular contact with our customers and is able to renegotiate repayment terms if required. Our commercial fishing industry customers were among those who felt the most immediate impact of reduced demand due to COVID-19 and we worked with them, and the industry body, to minimise any hardship. This is an ongoing commitment to all our customers.

From early March, the operational activities outlined in this report were delivered with a significant proportion of RAA staff working from home (WFH). Our business continuity planning had prepared us well for this, allowing a reasonably seamless transition as soon as WFH was mandated by the NSW Government. We completed the highly complex migration to SIDECar

(our new loans and grants management system) with teams working remotely from Orange, Sydney and various locations in India. We also moved to a new, cloud-based telephone system for the administration teams answering our 1800 number, which also provided more support for staff who now had to take or make difficult phone calls without the normal support networks afforded by an office environment.

Finally, as the financial accounts and associated notes show, the uncertain economic environment over future periods has had a material impact on our financial results with increased provisioning for the loans book in accordance with AASB 9. The RAA board, Audit and Risk Management Committee (ARC) and management all agreed a conservative approach was most prudent in the circumstances.



LOOKING AHEAD

We're reshaping ourselves so we can be smarter about helping farmers and regional communities to be more resilient, find solutions to problems and increase productivity and efficiency. Our goals for 2020–21 are to:

- Review and operationalise our strategic priorities to ensure RAA is able to deliver loans and grants in a significantly changed operating environment
- Ensure our risk management systems are appropriate given the quantum of grants and loans 'in the field'
- Continue to invest in SIDEcaR to ensure a better user experience for our customers and our staff
- Drive efficiencies for RAA by finalising service level agreements and working relationships within our new cluster, the Department of Regional NSW and other agencies
- Improve communications with our external and internal stakeholders to ensure program delivery during the hoped-for transition to recovery from drought and bushfires is conducted with efficiency and empathy.

ACKNOWLEDGEMENTS

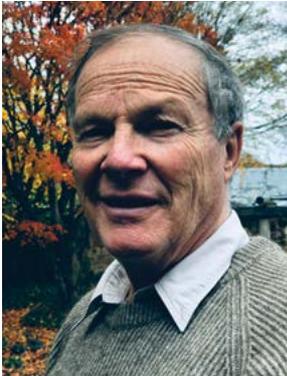
2019–20 saw the conclusion of the terms of board members Rob Brown, Diana Gibbs, Barbara Clark and Kerry Adby. Their industry experience and knowledge has helped strengthen our organisation and bring stability in times of change and I offer thanks and gratitude. It is pleasing that Kerry Adby has agreed to remain as independent chair of ARC to ensure rigour and continuity. We welcomed Lisa Minogue and Derek Schoen in early 2020, [and Elizabeth Lyne and Charlie Blomfield post balance date] and look forward to drawing on the Board's expertise in 2020–21

Thanks to Minister Marshall and his office for their ongoing advocacy for primary producers. Thanks also to Director-General Scott Hansen and Deputy Director-General Brett Fifield who provided ongoing support for the RAA and its staff.

I couldn't finish without a particular thanks to RAA's dedicated staff. Many of our farmers and rural communities have experienced 'the worst of times' over the past year and have needed patience, compassion and care. I am humbled and deeply grateful to report that our staff have often gone above and beyond their roles in helping communities, businesses and farmers, and I thank them for their efforts. We walk together on the journey back to 'the best of times'.

Sean O'Connell
Chief Executive

REPORT FROM THE BOARD CHAIR



The RAA's strategic goal is "to deliver flexible and cost-effective assistance programs that encourage self-reliance, facilitate change and drive smart agriculture into the future."

This past year has been extraordinarily tough for the people of regional NSW with the ongoing drought, widespread and catastrophic bushfires, floods and then COVID 19. As this annual report demonstrates, RAA has played an important role in the NSW Government's response to all these events. In doing so it fulfilled that part of its strategic goal relating to the delivery of flexible and cost-effective assistance programs.

While the past three years have been focused on this important goal, my vision is that as we move into what is hoped to be a widespread and prolonged recovery, RAA can now focus on programs which facilitate change and drive smart agriculture.

Having finally clarified our role as an advisory, not governing board, RAA directors and I have worked hard to support the authority to be responsive to the needs of farmers and small businesses in these circumstances while at the same time maintaining appropriate risk controls, given the significant taxpayer dollars that have been required.

We've had some changes through the course of the year, saying goodbye to some long-standing and valuable board members with Rob Brown and Diana Gibbs finishing their terms at the end of 2019; and Kerry Adby and Barbara Clark completing their terms at the end of June 2020. While it was sad to see these members depart, we were fortunate to maintain a board with expertise and diversity, with the commencement of Lisa Minogue and Derek Schoen. Elizabeth Lyne and Charlie Blomfield have joined from 1 July 2020.

On behalf of the board, I would like to thank the staff and management of the RAA who have responded to the needs of the rural sector in extraordinarily difficult times. I feel hopeful that with good governance and strong guidance, the board can help steer the RAA through whatever lies ahead.

With the support of the NSW Government, the rural industries of this state could very well be on the cusp of a wonderful time for agriculture in both servicing the loyal domestic food and fibre markets along with the dynamic world markets. We are a traditional agriculture trading nation and the ambitious national and state goals for economic gain may very well be in our reach. Government and industry will combine to be potent partners.

David Palmer
Board Chair



OUR BOARD

The RAA Board consists of the Chief Executive and six part-time members who are appointed by the Minister for Agriculture and Western NSW In accordance with the Rural Assistance Act 1989, two of the part-time members are appointed to represent farmers; two have specific qualifications and experience in banking or finance, farm management or an associated area; and two have backgrounds in social welfare, rural counselling, conservation or other areas the Minister considers necessary to enable the Board to carry out its functions.

The Chair of the Board, and the five other members, are all independent from the NSW Government and are appointed following an externally advertised application process. A Declaration of Interests register is maintained, and at each meeting, Board members must disclose any conflicts of interest with their role or the matters under discussion in the Board meeting.

The term of office for appointed members is for a period not exceeding three years with members eligible for re-appointment for a further three-year term. The Board was reviewed in 2019 for the purpose of ensuring that it continues to fulfil its purpose and objectives. The review showed that the Board is effective in its functions but will have to remain agile and strategic to meet the emerging needs of the future. The Board is bound by a code of conduct that they must sign, upon induction.

BOARD MEMBERS



CHAIR Mr David Palmer - Grad Dip Mgmt (AGSM, FAICD), was the Managing Director of Meat and Livestock Australia (MLA) for five years and prior to his appointment in 2006 served as MLA's Regional Manager in North America. Before joining MLA, Mr Palmer managed food safety and quality assurance programs at the Australian Meat & Livestock Corporation and spent six years as the Executive Director of the Cattle Council of Australia. Mr Palmer was also a director of AUS-MEAT Limited and chaired the MLA Donor Company. Mr Palmer is a Director of Animal Health Australia, Invasive Animals Cooperative Research Centre and the Greater Sydney Local Land Services. He also chairs the NSW Biosecurity Advisory Committee and was on the review panel for the 2016 Review of I-GAB (Inter Government Agreement on Biosecurity).

Appointed – 1 July 2012, reappointed in 1 July 2015, appointed as Chair – 1 July 2012 Term end – 30 June 2021.



Mrs Kerry Addy - LLM, FAICD, TFASFA is a senior investment banker and commercial lawyer and is currently the Managing Director of Copernican Securities Pty Ltd, a specialist consultancy providing corporate and strategic advisory services in Australia, Asia and Africa.

Kerry has more than 30 years' experience with large development and infrastructure projects in a range of sectors in Australia and internationally including funds management, infrastructure, utilities, agriculture, research and development, technology and property development.

Kerry's breadth of experience covers strategy, governance, audit and risk management, major project financing, capital markets and infrastructure, and these skills have given her a broad understanding of the operations, challenges and economics of primary and rural industries.

Kerry chairs the RAA's Audit and Risk Committee and is a member of several boards including the inaugural Chair of the Superannuation Commission, which is responsible for the investment and administration of the Tasmanian public sector defined benefit scheme and a consultant to the World Bank and Asian Development Bank.

Appointed – September 2017. Term end – 30 June 2020



Mrs Barbara Clark – BF in Admin, CA, FAICD, is a partner in a mixed farming enterprise at Boggabilla in NSW focusing on viability and sustainability and was previously involved in an intensive pecan orchard at Bellingen.

Mrs Clark has been a professional company director for 20 years and served on the board of Hunter New England Health. She has been a member of numerous agricultural boards including the Wheat Export Authority and Export Wheat Commission.

Mrs Clark has also been Chair and member of their Audit Committees. Mrs Clark is a member of RAA's Audit and Risk Committee, has extensive experience as an accountant in both Sydney and rural NSW and is a Fellow of the Australian Institute of Company Directors.

Appointed – 1 July 2012, reappointed July 2017. Term reappointed – 30 June 2020



Mr Adam Boyton - Grad Dip Applied Finance & Investment, BBus Economics, has almost 25 years of experience as a policy advisor and economist. He is a former Managing Director at Deutsche Bank, the Bank's Australian Chief Economist and Head of Fixed Income Research. He started his career at the Federal Treasury and the Department of the Prime Minister and

Cabinet. Prior to commencing his current role as the Interim National Skills Commissioner, Adam was the Chief Economist at the Business Council of Australia.

Adam is also a member of the Rice Marketing Board of NSW and was formerly a member of the NSW Skills Board and a Trustee of the Centennial Park and Moore Park Trust.

Appointed – 3 August 2018. Term end – 30 June 2021



Mrs Lisa Minogue B. Ag Econ, Dip. Community Services (Financial Counselling), GAICD is a partner with her husband in a mixed farming and grazing enterprise in Barmedman, Central West NSW.

Lisa is a director on other agricultural boards including the NSW Farmers Association and the National Farmers' Federation while also a member of the Veterinary Practitioners Board of NSW.

Lisa has extensive knowledge of the RAA assistance measures from the Rural Financial Counsellor perspective having previously worked in both Deniliquin and West Wyalong and their surrounding districts. Lisa's diversity of experience as a farmer, counsellor and director ensure she has a good understanding of both the challenges involved in primary production and the strategic direction that is necessary for the NSW Rural Assistance Authority.

Appointed – 1 February 2020. Term End – 30 June 2023



Mr Derek Schoen, MAICD. After finishing the HSC Derek started an apprenticeship as an Aircraft Maintenance Engineer with TAA, graduating as a Licenced Aircraft Maintenance Engineer LAME. He returned to the family's mixed farming business in 1983 to run beef cattle, prime lambs, winter cropping and irrigated summer crops at Corowa in the southern Riverina.

Derek has been a councillor on the Corowa Shire Council and was Deputy Mayor. Board experience started with a local farmers co-op and later NSW Farmers Association serving as President for three years. Other board memberships have included the Cattle Council of Australia, National Farmers' Federation and he is currently on the board of Agstewardship and Beyond Blue.

Derek is passionate about sustainable agriculture, planning and building resilience into farm businesses and a strong advocate of early succession planning.

Appointed – 1 February 2020. Term End – 30 June 2023



Chief Executive Ms Kate Lorimer-Ward BA (USyd), Grad Cert Climate Change (UMelb), Executive Masters Public Admin (USyd), MAICD, is the NSW Department of Primary Industries (DPI) Deputy Director General, Agriculture (DDG Ag) and was the Chief Executive of the NSW Rural Assistance Authority until February 2020 when Mr O'Connell was appointed.

Kate brought to the role a strategic and innovative approach that has been reflected in her previous leadership roles within DPI and prior to that, the NSW Catchment Management Authorities.

Kate has a real passion for the agricultural sector, founded in more than 20 years' experience in the public sector in rural and regional NSW. Kate is also a partner in a farming enterprise near Orange, a member of the Institute of Company Directors, a Director on the Board for the Cooperative Research Centre (CRC) for High Performing Soils and Trustee for the Belgenny Trust.

Appointed – 4 April 2018. Term end – February 2020



Sean O'Connell - BSc(Arch) USyd; MComm UNSW; GAICD is the CEO of the RAA, following the consolidation of the roles of Director and Chief Executive in 2019.

The role of the CEO is to provide high level strategic direction and leadership to the administration of program initiatives through the development of policies, operational programs and legislation to deliver financial assistance schemes to primary producers in NSW.

With a background in the government, corporate and not-for-profit sectors, Sean is committed to ensuring the RAA continues to deliver for its customers. Sean is also a director of the Addison Road Community Centre Organisation, which includes a not-for-profit food pantry, in Sydney.

Appointed - February 2020

MEETINGS OF THE RAA BOARD IN 2019/20

Date	Members in attendance
2-3 July 2019	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Kate Lorimer-Ward Members in attendance as observers from previous term: Diana Gibbs, Rob Brown
31 July 2019	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Kate Lorimer-Ward Members in attendance as observers from previous term: Diana Gibbs, Rob Brown
28 August 2019	David Palmer (Chair), Adam Boyton, Barbara Clark, and Kate Lorimer-Ward Members in attendance as observers from previous term: Diana Gibbs, Rob Brown
23 September 2019	David Palmer (Chair), Adam Boyton, Barbara Clark, Diana Gibbs, Rob Brown, Kerry Adby and Kate Lorimer-Ward
4-5 December 2019	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Diana Gibbs, Rob Brown and Kate Lorimer-Ward
9 January 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, and Kerry Adby.
21 January 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby
30 January 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby
12 February 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Kate Lorimer-Ward
17 March 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Lisa Minogue, Derek Schoen, Sean O'Connell
13 May 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Lisa Minogue, Derek Schoen and Sean O'Connell (Chief Executive Officer RAA)
20 May 2020	David Palmer (Chair), Sean O'Connell, Lisa Minogue, Barbara Clark and Kerry Adby.
18 June 2020	David Palmer (Chair), Adam Boyton, Barbara Clark, Kerry Adby, Lisa Minogue, Derek Schoen and Sean O'Connell

AUDIT & RISK COMMITTEE MEETINGS IN 2019/20

Date	Members in attendance
18 July 2019	Kerry Adby (Chair), Barbara Clark, Adam Boyton
22 July 2019	Kerry Adby (Chair), Barbara Clark, Adam Boyton
26 September 2019	Kerry Adby (Chair), Barbara Clark, Adam Boyton
8 November 2019	Kerry Adby (Chair), Barbara Clark, Adam Boyton
4 December 2019	Kerry Adby (Chair), Barbara Clark, Adam Boyton
26 February 2020	Kerry Adby (Chair), Barbara Clark, Adam Boyton
7 May 2020	Kerry Adby (Chair), Barbara Clark, Adam Boyton and Elizabeth Lyne (observer and member-designate post 30 June 2020)
24 June 2020	Kerry Adby (Chair), Barbara Clark, Adam Boyton

MANAGEMENT TEAM

The RAA management team provides the leadership to deliver the RAA's programs effectively and responsibly in accordance with our strategic direction, the goals of the NSW Government, and the guidance of our Board.



Sean O'Connell, BSc(Arch), MComm, GAICD
Chief Executive



Tim Gippel, B Nat Res (Hons 1) UNE, Grad Cert Public Sector Management, FGIA
Manager Policy and Governance



Lisa Southwood, CA, BBus
Manager Financial Administration



Alli Gartrell, BCom (Hons)
Manager Program Administration



Justine Dimond, BMgmt
Manager Programs Administration Drought



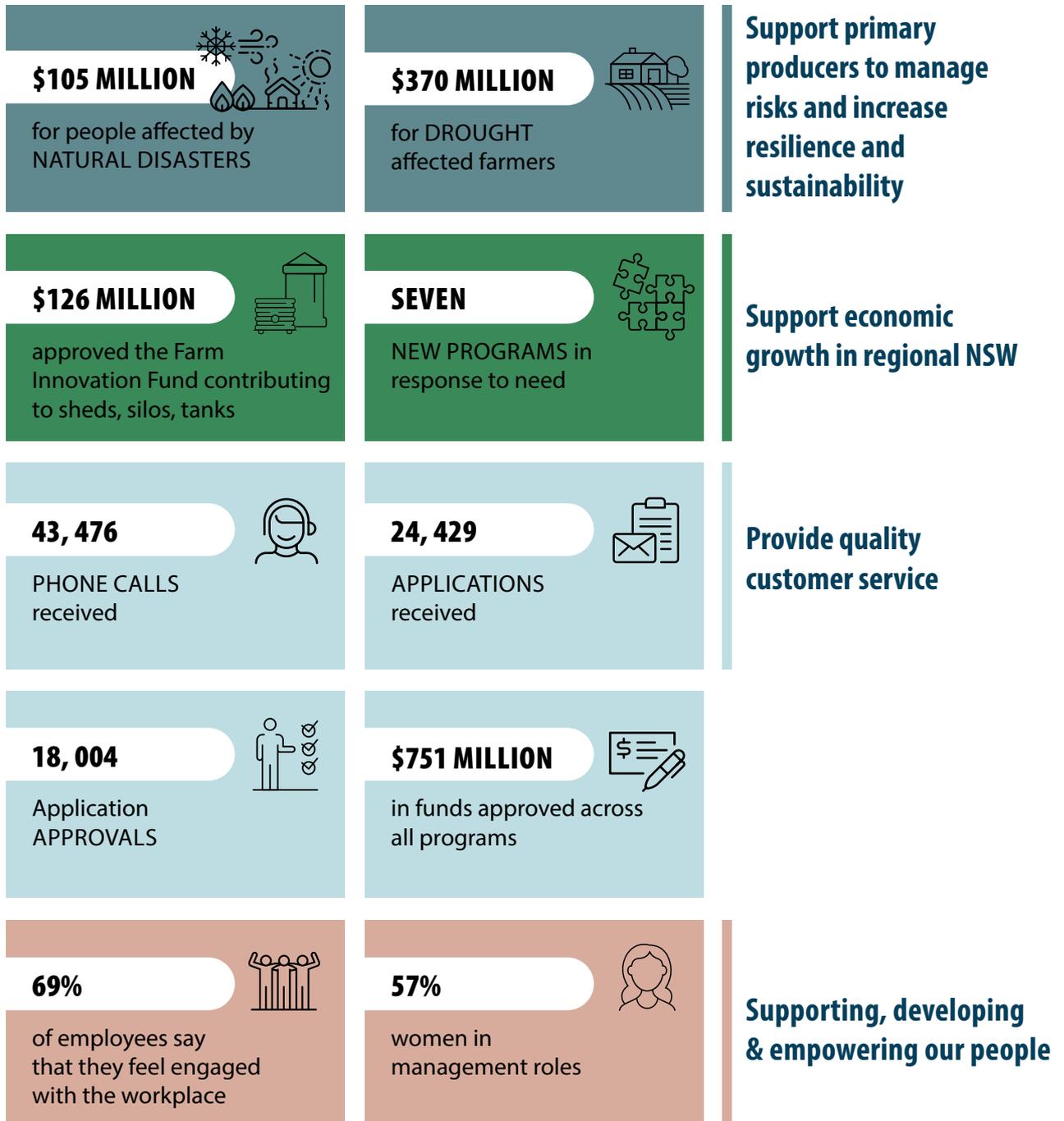
James Ovenstone, B.Bus, M.Acc, CA
Manager Strategic Finance





RURAL ASSISTANCE AUTHORITY
OUR PROGRAMS

RAA 2019-20 PERFORMANCE HIGHLIGHTS



OUR PROGRAMS

The RAA has a range of programs that help primary producers and small business operators with different stages in the business experience and lifecycle, from short-term responses needed for natural disasters, to intermediate responses for chronic issues like drought, to long-term responses needed for building lasting resilience and sustainability. The RAA's assistance comes in the form of loans, subsidies and grants that can help. Our range includes:

LOANS

- Farm Innovation Fund
- Drought Assistance Fund
- Seafood Innovation Fund
- Forest Industries Innovation Fund
- Natural Disaster Loans

SUBSIDIES

- Emergency Drought Transport subsidy
- Animal Welfare Transport subsidy
- Donated Fodder Transport subsidy
- Natural Disaster Transport subsidy
- Farm Business Skills Program subsidy
- Emergency Water Infrastructure Rebate scheme

GRANTS

If natural disasters are widespread and extremely severe, the Australian and NSW Governments may jointly announce the provision of grants. Such grants rely on the declaration of a natural disaster. Under the Disaster Recovery Funding Arrangements (DRFA), there are two categories under which declarations can be made:

- Category C—usually \$15,000 and provided for widespread and severe events
- Category D—provided in exceptional, catastrophic circumstances, and the amount is determined at the time of the natural disaster.



RESPONDING TO NATURAL DISASTERS

BUSHFIRES

5.4 million hectares (7%) of NSW was affected by the 2019-20 bushfires, resulting in devastating loss of life, property, wildlife and livestock and a lasting impact on NSW communities. The RAA responded with natural disaster assistance in collaboration with the Australian Government, in line with the joint Disaster Recovery Funding Arrangements (DRFA).

Assistance was rolled out in accordance with need as the disaster increased in scale and devastation. Assistance for natural disasters starts with a declaration, from which concessional loans and transport subsidies can be offered (Category B)^[1].

In 2019-20 \$2.7 million in category B loans was dispersed, together with \$160,000 in natural disaster subsidies.

When the seriousness of the situation became clear, the NSW and Australian Governments made declarations for more assistance. Initially this was with Category C grants of \$15,000 before this was extended to Category D grants of \$75,000. The RAA distributed 3,089 natural disaster grants in 2019-20, at a value of \$91.8 million. It should be noted that Category D grants and loans have never been announced for NSW before. RAA distributed 1,637 of these grants, with a total value of \$23.2 million. As the situation worsened, further announcements were made, to provide for larger grants and loans (category D). In NSW this assistance was referred to as "Special Disaster Assistance" and came in the form of \$75,000 grants and loans of up to \$500,000. It should be noted that category D grants and loans have never been announced for NSW before.

In 2019/20, the RAA distributed 1,452 applications with a value of \$68.6 million for grants up to \$75,000. The RAA increased its staff numbers to provide this assistance to fire-affected primary producers as quickly as possible. The average time to approve assistance for grants was 14 days, which, while not always as fast as people wanted, was still extremely efficient for most.

The RAA approved 224 loans of up to \$500,000, with an approved value of \$21.1 million. The average time to approve these loans was 30 business days, just outside the RAA's benchmark of 28 days.

2019-20 dwarfed the four previous years in terms of total funding distributed for natural disaster events, per Figure 1.

The NSW Government also supplemented joint Australian Government assistance with its own Bushfire Industry Recovery Program to provide targeted assistance to important primary industry sectors linked to key supply chains. The RAA distributed Supply Chain Support Grants as part of that program, which ran from 19 May to 12 June, helping key industries as shown in Table 1. \$21 million was approved under this program, within an average of eight days from receipt of all information received, to approval.

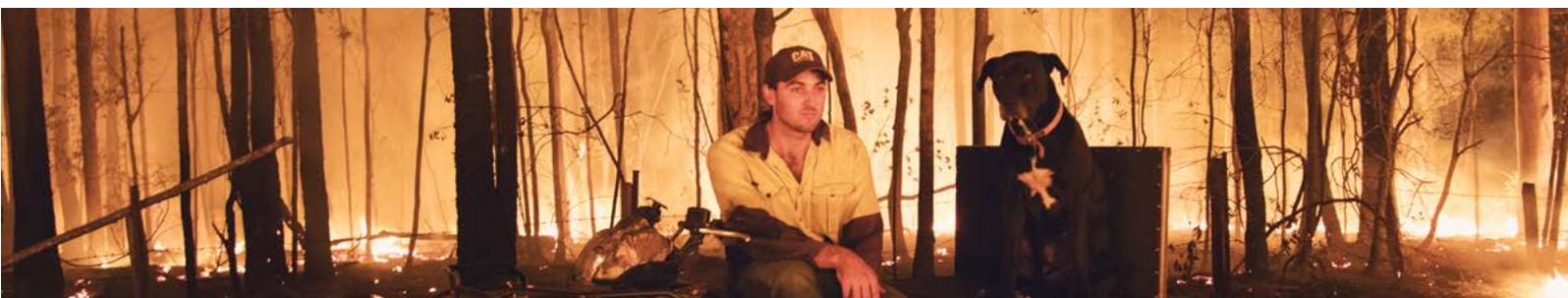


Figure 1: Funding distributed for natural disaster events

	Aquaculture	Apiculture	Viticulture	Dairy	Horticulture
Applications approved	150	66	58	44	49
Funding approved (\$M)	2.7	0.9	1.2	7.4	8.6

Table 1: Bushfire Industry Recovery Program - Supply Chain Support Grants administered by the RAA

^[1] Special Disaster Loans were offered as part of Disaster Recovery Funding Arrangements (DRFA), "Category D" for the first time in NSW. Standard concessional loans are "Category B" and are \$130,000 for primary producers



DELIVERING TO DROUGHT-AFFECTED COMMUNITIES

In 2019–20, NSW farmers continued to suffer through the most severe drought in recorded history. The drought started intensifying in late 2017 and worsened through 2018 and 2019. Although there was widespread rain in early 2020 and an easing of drought conditions in some rural and regional communities, 80% of the state was still affected by drought at 30 June 2020. The extent and duration of the drought has had a devastating impact on the state's rural and regional communities with no farming family in the state left unaffected.

The NSW Government rolled out new drought assistance measures as the drought continued. From 1 July 2019, the NSW Government provided \$755 million taking total funding to that point, to \$1.8 billion. The new funding contributed to an extended and increased Drought Transport Subsidy; continued Farm Innovation Fund loans; further waivers of Farm Innovation Fund interest payments, Local Land Service rates, the Farm Business Skills programs, and Transport Subsidies for donated fodder. By end of June 2020, the package, including water security initiatives, sat at \$3.3 billion.

Drought assistance increased in size as shown in Figure 2.

The RAA was critical to the NSW Government's drought response, with many drought programs continued and expanded in 2019–2020 as follows.



Figure 2: Drought assistance increase



EMERGENCY DROUGHT TRANSPORT SUBSIDY

The Emergency Drought Transport subsidy has had an enormous take-up since it was first launched in August 2018, with \$194 million disbursed to contribute to the cost of transporting fodder, water, and since 1 July 2019, chemicals, fertiliser and seed. This has had a significant impact, enabling many farmers to continue operating and supporting the welfare of livestock in the worsening drought conditions.

THE DROUGHT ASSISTANCE FUND

The Drought Assistance Fund (DAF) loan is directly targeted to addressing the immediate and chronic needs related to drought. It offers a loan of up to \$50,000 that in 2019–20, could be used for the installation or transport of fodder or water infrastructure, the banking of genetic material, or for any activity that contributed to resilience and profitability.

The DAF was introduced in June 2018 and since inception, \$105 million has been approved.

THE FARM INNOVATION FUND (FIF)

The FIF has been the RAA's flagship assistance program since its inception in 2013, with various forms of concessional loans provided before then. It has helped farmers build capital infrastructure to grow productivity so they could be resilient enough to withstand whatever came their way either economically or climatically.

The FIF began as the Special Conservation Scheme many years ago. As can be seen (Figure 4), uptake has risen strongly as the drought has developed since late 2017. 2019-20 showed record uptake of \$126 million approved. On 1 July 2019, the NSW Government increased funding for the FIF to enable farmers to access a low interest loan of up to \$1 million. Since February 2015, \$353 million has been disbursed, contributing to the construction of water tanks, sheds, silo, bores and dams. Farmers highly value the FIF program with more than 90% of respondents to a 2018 survey among FIF loan-holders, saying that the program contributed to viability, productivity, dealing with adverse seasonal conditions and increasing the value of their property. More than one-third of respondents indicated that having the loan created an added annual value of greater than \$50,000 to their farm business.

In 2019/20, interest payment waivers were continued for all FIF loan holders was continued in recognition of the drought, providing a reduction in costs for farmers valued at \$6.5 million.

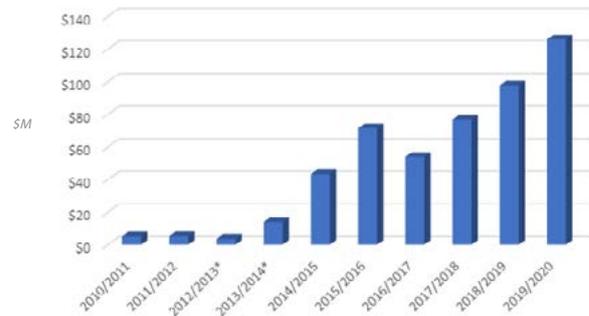


Figure 3: Farm Innovation Fund uptake

“Without the RAA's help, our long established business would be in a lot of cash flow trouble. That would definitely have cost our staff their jobs and now we will be able to keep them and survive this difficult 12 months”
- customer feedback -



FARM INNOVATION FUND - CASE STUDY

Ryefield Hops is a business in Bemboka that has taken the family farm in a drought-affected area and converted it to something new.

Ryefield Hops is the first farm in NSW to grow and sell hops commercially to the craft beer industry. The land the enterprise started on is ex-dairy country.

The business applied for a Farm Innovation Fund loan to help fit-out a new processing shed that will allow for greater mechanisation. This will make it possible to grow and harvest more hops, and also store product with greater confidence. The expansion includes a solar conversion for efficient energy production and a dam to create greater water security for the longer term.

EMERGENCY WATER INFRASTRUCTURE REBATE SCHEME

The Emergency Water Infrastructure Rebate Scheme (EWIR) began in January 2019 with \$12 million funded by the Australian Government in the first year to help drought-affected livestock farmers with the costs of purchasing and upgrading urgently needed water infrastructure for animal welfare needs to a maximum of \$25,000 per farm enterprise.

Funding for the Emergency Water Infrastructure Rebate (EWIR) scheme was extended in October 2019, with an additional \$9.25 million available to drought-affected farmers in NSW for the purchase and upgrade of on-farm water infrastructure. For invoices dated from 1 July 2019, the program was also opened to horticulturalists with permanent plantings who could apply to install new bores or desilt dams.

Administered by the RAA, the scheme was to remain open until 30 June 2021 or until funds were exhausted. With the scale and extent of the continuing drought, the RAA was inundated with applications and the program was closed in May 2020. In 2019–20, the RAA approved 2,180 applications, providing \$12.8 million to primary producers. This brought the total funding approved and disbursed over the life of the program, to \$19.2 million. As at 30 June 2020, the scheme had not been extended by the Australian Government.

DRIVING LONGER TERM SUSTAINABILITY

The RAA has a range of programs that contribute to the longer term sustainability and profitability of farm businesses and regional communities. The Farm Innovation Fund loan was critical to providing a comprehensive approach to the drought but has been part of the RAA's suite of programs for many years. This is because the FIF is primarily about supporting the construction of permanent infrastructure, an activity that is helpful for preparing for the next drought, but also for building greater productivity into the long term.

Other programs that contribute to long term sustainability include the Farm Business Skills Program, the Forest Industries Fund and the Seafood Innovation Fund.

FARM BUSINESS SKILLS PROGRAM

The Farm Business Skills (FBS) Professional Development Program was developed to support the productivity, profitability and viability of farm businesses, particularly to prepare farmers for drought. Funding was announced as part of the NSW Government's 2015 Drought Strategy and concluded on 30 June 2020. The FBS offers a subsidy on the cost of professional development activities.

During 2019-20, the RAA paid 550 claims for reimbursement totalling more than \$1.3 million.

FARM DEBT MEDIATION

The RAA oversees the Farm Debt Mediation Act 1994, to ensure a structured negotiation process to assist farmers and creditors to agree upon matters relating to farm debts, in advance of potential recovery action. RAA's leadership in Farm Debt Mediation policy continued to be recognised around Australia and in New Zealand. I acknowledge the work of Hanna Jaireth who left RAA in December 2019.

FOREST INDUSTRIES INNOVATION FUND

The NSW Government has allocated \$34 million for the Forest Industries Innovation Fund (FIIF) to assist industry to adopt new technology and innovative practices to better address the changing demands of the future forest industry. In 2019-20, the RAA distributed \$9.2million for four FIIF loans. The FIIF offers up to \$3 million to be repaid within a period of up to 20 years.

SEAFOOD INNOVATION FUND

The Seafood Innovation Fund (SIF) loan is available to commercial fishers and aquaculture farmers in NSW to meet the cost of carrying out permanent capital works that will improve assets and infrastructure, identify and address risks, help build resilience to changes in seasonal conditions and ensure long-term productivity and sustainable use of the marine and land-based environment. The SIF loan offers up to \$500,000 to be repaid within a period of up to 20 years. In 2019-20, 26 applications were approved for SIF loans at an approved value of \$5.4 million.



RURAL ASSISTANCE AUTHORITY

OUR CUSTOMERS & STAKEHOLDERS

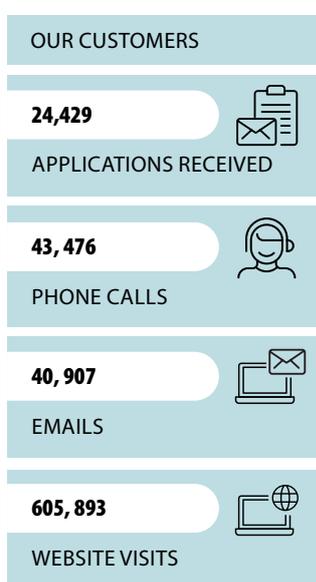
OUR CUSTOMERS

We know this year has been difficult for many farmers and small businesses because of extended drought and devastating bushfires. The RAA has worked hard to reach those who need our services during these challenging times. So who are our customers?

Largely, the RAA provides assistance for primary producers in the agriculture, forestry and fishing industries. In times of natural disaster, the RAA also provides support to small businesses and not-for-profits.

ABS data from 2017-18 indicates that there were 23,314 farms in NSW with an estimated value of agricultural operations of \$40,000 or more. The largest proportion of farms by number of farms has an estimated value of agricultural operations in the realm of \$50,000 to \$150,000 per year. This means that there are a small number of large enterprises, but many more small to medium enterprises that contribute to the experience and realities of farming in NSW.

While the evidence suggests that the RAA caters to farming enterprises of all sizes, the likelihood is that the smaller to medium enterprises have a lower capacity to draw on other resources and therefore depend on us to a higher degree.

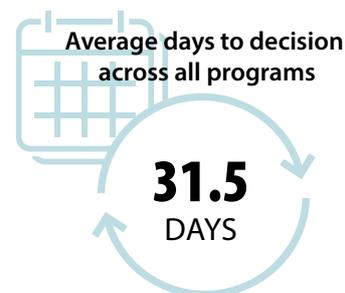


So how well are we doing at reaching those farmers? Since inception, when close to 100% of the state was affected by drought, we approved 19,746 applications for EDR, noting that this figure includes situations where a single applicant might re-apply in subsequent years. This suggests that many farmers know about us, and reached out over the past year.

With bushfires, it was estimated that 15,000 land holders were affected. We approved 3,336 applications for natural disaster assistance, including loans, grants and transport subsidies. This reflects the proportionally small number of land holdings that have productive businesses and can claim RAA assistance.

To ensure we gave farmers and small businesses the best opportunity to access our assistance, in 2019–20, the Department of Primary Industries' Drought Assistance van visited 47 regional towns to provide information about applying for drought and bushfire assistance. Our staff were on hand to provide face-to-face support to farmers.

Our staff were also in attendance at Disaster Recovery Centres in key bushfire-affected locations including Batemans Bay, Bega Valley and Ulladulla. We also took the opportunity to attend key field days.



More than 80% of our staff are frontline, focused on helping our customers by taking phone calls, answering questions, assessing applications through discussion, and referring issues on where needed.

TIMELINESS IN DECISIONS TO CUSTOMERS

We have made it a measure of our success to provide a decision to our customers within 28 days after all information is received.

In 2019–20, our overall average days to decision across all programs was 31.5, largely because we prioritised applications for the bushfire response. Some of that assistance was turned around within an average of 5.7 days. Unfortunately the rapid turnaround on those decisions came at the expense of others that took longer to process.

We have worked hard to reduce the assessment and decision making process. At the end of June 2020, we have 44% more staff than in end 2019, we've reduced steps in the assessment process, and we've introduced a new system to help streamline processes. We have a responsibility to ensure that funds are distributed in accordance with the NSW Government's directions and to those who are eligible. Fraud is a risk for which the RAA must always be alert. We are also obliged to take a responsible approach to lending, ensuring that we only extend loans where the customer can pay without causing financial hardship. Those requirements can delay the decision making process. That said, we will always work to find ways to improve our approach to assessing and approving assistance so that farmers get the help they need, as quickly as possible.

"We are very grateful that you have left no stone unturned to help us in this matter. We only wish that one day we could do you such a greater service as what you did for us"

- feedback from a customer -

IMPROVED CUSTOMER EXPERIENCE

In 2019–20, we completed a major systems upgrade, with a new end-to-end financial management system to streamline processes and provide better reporting and service delivery. The new IT system dubbed 'SIDECaR' replaces three legacy systems that had been in place for many years.

The new IT system will enable more extensive analysis of our data and a better experience for our customers. As with any system upgrade of this scale, there have been migration issues and time will be needed to bed the system down and realise the full benefits.



FEEDBACK

We invite feedback through our website. In 2019–20, we received 39 compliments, 109 complaints and 22 suggestions. An analysis of the complaints shows that 55% of complaints related to difficulties with uploading information online.

We worked hard to respond to and resolve those complaints as quickly as possible. That feedback helped to inform our re-designed website and how we manage online information. It should be noted that 109 complaints was only 0.6% of all applications made. Interestingly, most compliments related to online information, with a typical comment being, "thank you for making this process so easy!".

While we've surveyed our customers in the past, the long, slow recovery from drought is a good time to check in and see how well our products are meeting our customers' needs. It's also the right time to put in place a process for more regular future surveys.

FACEBOOK

Among our tools for communicating with our existing and prospective customers, we use Facebook. On average, we reach 385 people a day, and our page has been liked 1,729 times. While it's likely that not all of our customers are Facebook users, it's a useful tool for reaching out to a cohort of primary producers who might not ordinarily know about the RAA.

APPEALS

If an applicant is unhappy with a decision, they have the right to appeal. If we refuse an application, an appeal is always offered. We ask that an appeal be lodged in writing within 20 business days of the date of the RAA's advice that the application was refused.

We have a formal process in place for handling appeals and we commit to conducting those appeals within 30 business days of receipt of a written letter of appeal. In 2019–20, there were 378 appeals which represents 2% of all applications..

Of those appeals, 173 (46%) of the original decisions were upheld and 114 (30%) were overturned, which shows that by providing more information, many customers get a positive outcome. This appeals process relates to all RAA assistance except for Special Disaster Assistance grants and loans.

In 2019–20, in recognition of the many new customers we supported, many of whom were in distress and needed a fast response, we established an Independent Appeals Panel (IAP) to hear appeals related to the Special Disaster Bushfire loans and grants programs.

The IAP has two independent members: Annemarie Jones, who has 40 years of accountancy experience and a strong involvement in community and local government and Jo Balcomb, who owns a mixed farming business with her husband and has more than 20 years' experience in governance, risk management, compliance and accounting.

The IAP was established to review refusals, make recommendations to the RAA CE on whether to uphold or overturn a decision and report on trends or clusters of appeal cases that could help to deliver more efficient, transparent and fair assessments of applications. Since its first meeting on 1 April 2020, the IAP has heard 130 appeals, of which it recommended overturning 51 decisions of all appeals(35%). This represents a significant number of applicants who had a second chance to present their case, provide further information and receive important assistance.

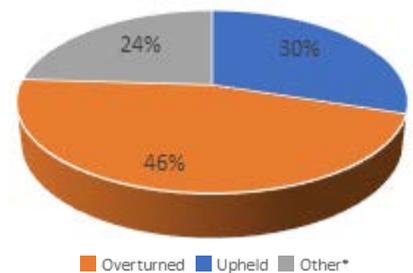


Figure 4: Appeal outcomes for programs other than special disaster assistance



This reflects our commitment to treating our customers with respect and providing transparency in decision making.

On the basis of the cases considered, the panel also made recommendations for policy analysis and review, to our Chief Executive. These recommendations included seeking a review of the approach to lending, taking into account ASIC's Regulatory Guide 209 on Responsible Lending. While that guide (G209) provides consumer protection when borrowing from banks, credit unions and building societies, rather than government bodies, it holds important considerations for any lender, for ensuring protection from financial hardship and preventing negligence.

STAKEHOLDERS AND SIGNIFICANT PARTNERSHIPS

We have an important role in delivering assistance to farm businesses and rural communities, but our success relies on having the right connections across government, community and industry.

SIGNIFICANT PARTNERSHIPS

The Department of Planning, Industry and Environment (DPIE) was our overarching cluster Department between 1 July 2019 and 1 April 2020, and provided a wide range of services including human resources, information and communication technology, finance, payroll, legal, record management, regulatory review, procurement, ministerial liaison

and governance services. We became part of the newly formed Department of Regional NSW (DRNSW) from 2 April 2020. DRNSW was formed to support regional communities in the wake of devastating drought, bushfires and more recently the COVID-19 pandemic.

Rural Financial Counsellors (RFCs) are the 'arms and legs' of the RAA, helping farmers in financial difficulty, or those who need help applying for RAA assistance. It is important that RFCs are knowledgeable about the RAA's assistance so they can accurately and positively deal with questions and concerns that our customers may have. RFCs have played a critical role throughout the drought, helping many people who had never sought help to get much needed assistance. The Department of Primary Industries contributed \$924,000 to the RFC Program in 2019-20.

KEY STAKEHOLDERS

Local Land Services (LLS) has a widespread presence in the field and long-standing connections with our customers. This was important during the drought when LLS offices became part of the network of Government offices where farmers could lodge Drought Transport Subsidies, and receive advice on assistance and support.

LLS also supports farmers to make the right decisions at the right times about land, pasture and livestock management. Their work to build farm sustainability ensures that farmers access our support when they can most benefit from it.

The **Rural Resilience team (DPI)** works with primary producers across regional and remote NSW to build personal and family resilience. The team has been critical in supporting drought-affected communities, bringing people together and connecting them to the support they need, particularly social and mental health services.

The **Recovery Support Program** is funded by the Department of Resilience (previously NSW's Office of Emergency Management). Recovery Support officers have been crucial to the short to medium term recovery needs of people in bushfire-affected areas. Many farmers struggled to find and organise their paperwork and get the help they needed. The Recovery Support team helped with that process and in many instances helped farmers to access bushfire grants and loans.

The **Young Farmer Business Program (DPI)** is, and will continue to be, a key partnership as we build connections with the next generation of farmers. The Young Farmer Business Program creates opportunities for young farmers and fishers to enter into or expand their existing businesses by helping them improve their business skills.

The RAA meets regularly with key stakeholders to share information and discuss issues or challenges for either party. Stakeholders can ask for performance information that is useful to their operations and to mutually supportive interactions. It is also open to stakeholders, customers, or member of the public, that they can choose to submit a request under the *Government Information (Public Access) Act 2009* (the GIPA Act) to records or information that interest or affect them. For more information go to: www.nsw.gov.au/customer-service/who-we-are/access-to-information/gipa-act-application-form.



A man with short brown hair and a beard, wearing a light-colored checkered button-down shirt, stands outdoors with his arms crossed. He is smiling slightly. The background consists of dense green foliage and trees. A dark blue banner with a white arrow pointing right is overlaid on the top left of the image.

RURAL ASSISTANCE AUTHORITY OUR PEOPLE

Mitch Highett - Staff Profile

How long have you been with the RAA and what do you do?

I've been with the RAA for nearly two years. I'm the Program Officer for the Drought Transport Subsidy night team, and I also spent time providing advice at the Emergency Management Centres after the bushfires.

What did you do before you started at the RAA?

Before the RAA and still now, I operate my own farm business. I also provide advisory and contracting services around the state to people looking to expand or start their own agribusinesses.

What do you like about working at the RAA?

I really enjoy working with the team at the RAA. We've got an awesome group of people. But most of all I enjoy being able to provide assistance to our farmers. For some, we can help to keep operations going that little bit longer and for others we're building businesses to be more resilient and better prepared.

RAA STAFF

At 30 June 2020, In 2019/20, interest payments for all FIF loan holders was continued in recognition of the drought, providing a reduction in costs for farmers valued at \$6.5 million. We had 94 staff (90 on a headcount basis) including 52 fixed term ongoing, and 42 temporary, casual or contingent staff. The organisation chart showing the senior management team and responsibilities is shown at Figure 1.

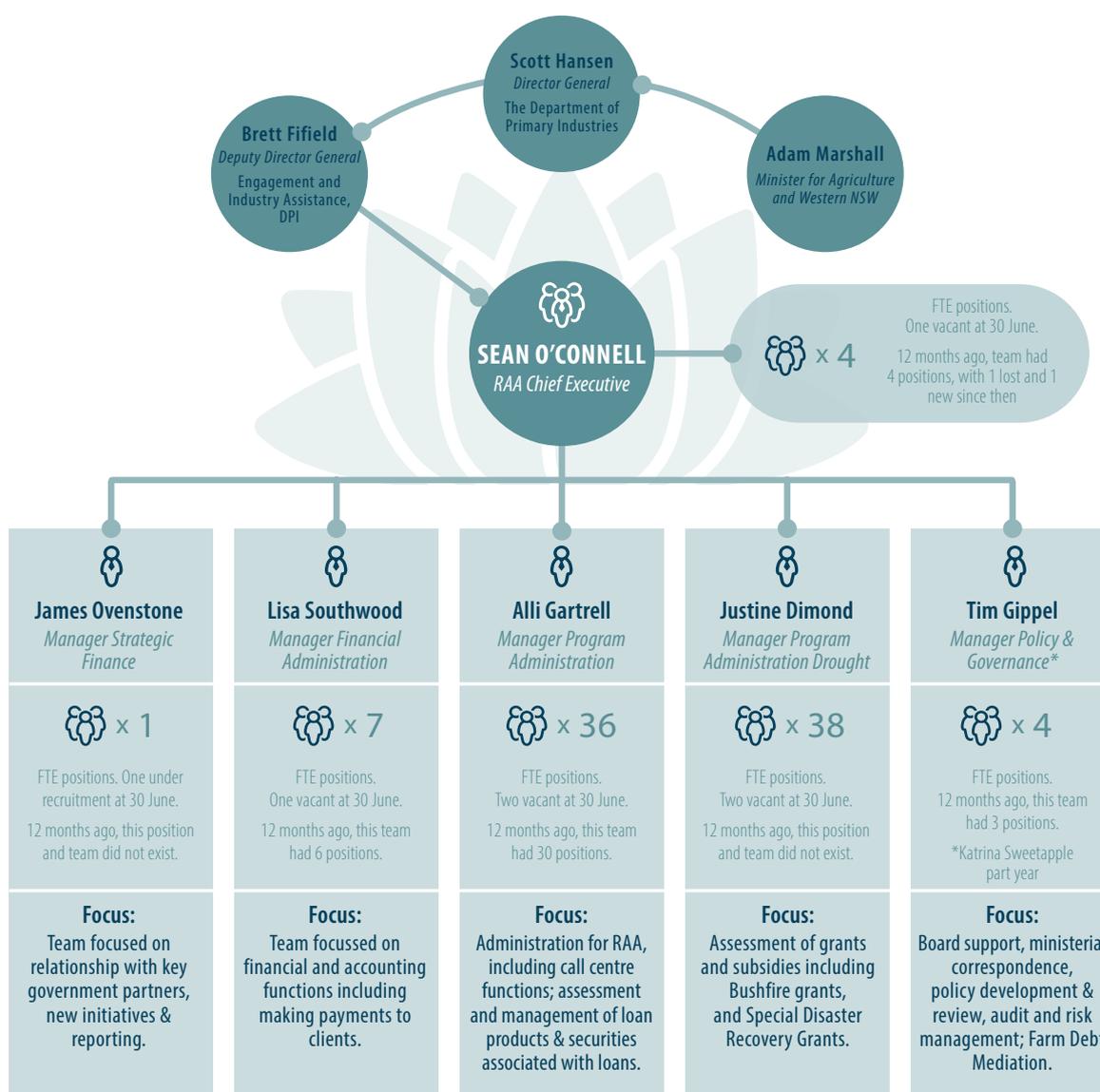


Figure 6: Rural Assistance Authority organisational chart as of 30 June 2020

*The total number of staff (headcount) was 94, with 90 FTE. The figures in the organisational chart above are based on FTE.

STAFF PROFILE

Most RAA staff have a financial or banking background suited to the nature of work undertaking the assessment and administration of financial assistance. The exceptions are the policy and administration staff, who have a background suitable to those areas.

WORKFORCE CAPABILITY

The RAA builds workforce capability in many ways. We start with an aim of employing the right people by having job descriptions that provide clear expectations. Development is then managed and supported through formal annual and six

-monthly performance development plans (PDP), that include managing to agreed accountabilities, as well as development, to meet knowledge and skill gaps. The PDP is also an opportunity for staff to identify and discuss career goals and how to meet them. The RAA regularly uses internal development opportunities to offer staff the chance of upskilling.



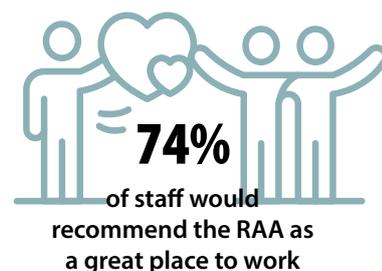
TURNOVER

During 2019-20, the RAA had a turnover rate of 21%. This means that roughly one in five staff members left through the course of the year. This is a high level of turnover and reflects the nature of the RAA's work, where we must retain a small core of permanent staff but be able to scale up quickly in response to need as happened with the drought and bushfires. While growing quickly by employing contingents and casuals is necessary for us, it creates instability, with staff leaving when other opportunities arise. Turnover is costly and creates an ongoing task of recruitment, induction, training and support. While in some ways it is unavoidable, the RAA needs to be able to scale up in a way that supports our staff for the best outcomes, and then be able to reduce numbers while maintaining and protecting our team spirit and effectiveness. This will be key in 2020-2021 as we transition out of drought.

In 2019-20, through the course of the year, 47 new employees were recruited, inducted and trained. This all occurred at the same time that the RAA received record numbers of applications, telephone calls, emails and feedback in different forms.

EMPLOYEE PERSPECTIVES

Despite these difficulties, the indications are that we provided a workplace that staff felt proud of, and regarded as "a great place to work", with 74% agreeing with that statement, in the Public Sector Employee Survey held at the start of the financial year. The same survey showed that in 2019, 82% of RAA staff said that their job gives them a feeling of accomplishment.



EMPLOYEE ENGAGEMENT

Employee engagement was 69%, which was slightly down on 2017-18 (74%) and below our target of 75%. 'Engagement' is a concept that takes into account:

- The organisation's perceived commitment to developing its employees
- The employee's ability to share different views from their manager or colleagues
- Perceived cooperation between teams
- A belief that change is managed well
- A feeling of involvement in decision making
- How much senior managers provide clear direction.

Our result was still above the NSW public sector engagement result of 66%. On a positive note, all staff (100%) agreed that their workgroup strives to achieve client/customer satisfaction. This was an increase on 79% on the previous year and points to a cultural understanding at the RAA about the importance of our customers to everything we do.

“I just wanted to write to say thank you to you and your entire team. You have all been very professional and kind, even in the worst of times, when we, farmers, were all struggling and you were all being squashed under what must have felt like an insurmountable amount of work. Just heartfelt, thank you.”

- feedback from a customer -

EMPLOYEE SATISFACTION

It seems that despite being a difficult year for the organisation and for the farming sector more broadly, staff took a personal feeling of satisfaction from the job they did. Eighty-two per cent (82%) said that “my job gives me a personal feeling of accomplishment”. This was up on 75% from the previous year. To the statement, “I am satisfied with my job”, 63% of staff agreed in 2019 that they were satisfied.

BENCHMARK AGAINST THE NSW PUBLIC SECTOR

The People Matter Employee Survey allows us to benchmark our results against other NSW public sector organisations. In 2019-20 we had the same or better result compared to the rest of the NSW public sector for 69% of measures.

The areas we compared most favourably to the rest of the sector are:

- 71% of our staff agree that they are “paid fairly for the work they do” compared to 59% for the NSW public sector.
- 58 % of our staff believe that action will be taken on the results of the survey, compared with 39% for the rest of the sector.
- 82% of our staff are satisfied with the ability to access and use flexible working arrangements compared with 59% of the rest of the sector.

FLEXIBLE WORKING ARRANGEMENTS

The COVID-19 pandemic has required a flexible approach to managing staff hours and location of work. While some staff could not work from home because of internet or home set-up difficulties, the vast majority did. The RAA was regarded as an essential service so there was never any question that if staff needed to be in the workplace, they could do so. Between March when the pandemic began worsening to end of June 2020, the percentage of staff working from home varied between approximately 85 and 99%.

The RAA has always taken an understanding approach to the needs of its staff and been flexible about start and finish times, and how work outcomes can be achieved. The Public Sector Employment Survey showed at the start of the 19-20 financial year, that 82% of our staff agreed their manager supports flexible working in their team, compared to 59% in the rest of the public sector.

WORK HEALTH AND SAFETY (WHS)

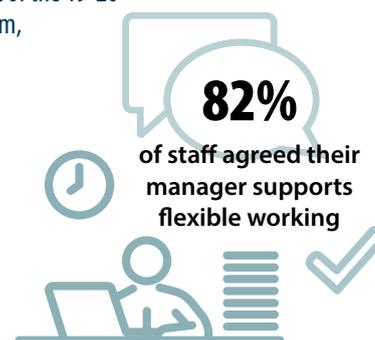
We have been aware that this has been a tough year for the RAA. Staff have had high workloads and been interacting with people who are in many instances distressed and sometimes, extremely frustrated.

To support our staff we’ve rolled out targeted training courses in the following areas:

- Resilience training
- Dealing with difficult conversations
- The Accidental Counsellor
- Professional de-briefing.

We have also supported staff with advice about ergonomic set-up for working from home. We recognise that supporting staff wellbeing is an ongoing need, and regularly check-in to see how staff are travelling, both informally through connections with our managers and colleagues, and formally through survey pulse checks, and focus group sessions.

The indications are that although it has been a difficult year, our staff feel comfortable “notifying their manager if they became aware of any risks at work”, with 89% of staff agreeing with that statement in the 2019 People Matter Survey. That good result notwithstanding, we are aware that mental health and workload issues are a critical element of the work health and safety agenda and that an aggressive or suicidal caller is an incident that needs to be reported.



The RAA's approach to supporting the mental health and wellbeing of staff is driven by the divisional Work Health and Safety Operational Plan, and priorities that the RAA has identified.

WHS policy and procedures form part of the induction program for RAA staff. Staff are required to repeat online training periodically to comply with the *Work Health and Safety Act 2011*.

Health and safety representatives (HSRs) work closely with and report any incidents to RAA management. During 2019-20 there were two WHS issues reported, both related to aggressive/ potentially suicidal callers.

The RAA started the 2019-20 as part of the DPIE cluster and ended 2019-20 as part of the Department of Regional NSW. WHS matters for the RAA are managed centrally and included in the consolidated WHS information published in the annual report for the NSW Department of Industry.



STAFF EDUCATION AND TRAINING

RAA staff participate in the Department of Industry's Performance and Development Plan process, a process that is used to determine work priorities together with the skills development, education or training that staff may need to achieve their agreed priorities.

In 2019-20, the RAA provided training at a total cost of \$17,179.62. While this appears low, most training for the RAA is provided by our overarching Department under the Partnership Agreement in place. The cost of that training is incorporated into the administration fee paid to the Department. Another impact on training costs for 2019-20, was that with COVID-19, it was not possible to attend in person and many organisations offered the same training opportunities as online events at a fraction of the cost of face to face events. This may be a trend that continues into the future.

Staff are also encouraged to relieve in higher positions with additional training and instruction provided as necessary. This provides the RAA with a core group of multi-skilled staff members able to perform a variety of positions.

The RAA encourages staff to undertake tertiary education and allows staff enrolled in external business-related courses to take study leave in accordance with policy.

DPIE, and from March 2020, DRNSW, provides an onboarding and induction package for all staff. This is complemented by steps that RAA managers take to ensure that new staff understand the conditions of their employment, are aware of key policies and guidelines relating to their work, and know where to get advice and support when needed.



Rob Dunkley, Assessment Officer, talking with a customer

RURAL ASSISTANCE AUTHORITY
OUR GOVERNANCE



IN A TIME OF CHANGE

Good governance is always important but can be tested when an organisation grows quickly or responds to a great deal of change. This has been the case for the RAA. Since the drought began, we've more than doubled in size and in the past year, we have set up seven new programs in response to drought and bushfires. These activities test the protections we have in place to ensure that we're managing government funding responsibly, identifying and responding effectively to risk and establishing systems that support the right actions.

The RAA has solid controls in place to support a coherent and proactive approach to corporate governance.

We have a Board that meets regularly and as needed, to set direction and promote the object of the *Rural Assistance Act 1989*: to promote the proper and efficient delivery of programs of assistance to farmers and other persons engaged in rural industries, and to other persons as provided by the Act. In 2019–20, the Board met 13 times. Ordinarily a full Board meeting is set for four times a year. The frequency of meetings in 2019–20 was in response to the need to consider urgent and important matters and demonstrates the Board's commitment and involvement in the RAA'S direction. Adding to complexity for the Board was the inability to meet in person. From March 2020, all meetings were held online.



Supporting the Board and the Chief Executive, is an Audit and Risk Committee ("the ARC"). The ARC provides advice to the Chief Executive and RAA Board by monitoring, reviewing the RAA's governance processes, risk management and control frameworks, and external accountability requirements. The ARC met eight times in 2019–20 and played a particular role in advising on the finalisation of the RAA's financial statements. In 2019–20, the ARC had oversight of the ongoing audit program and had an opportunity to review audits that commenced or were completed in the year as follows:

- Establishment of an RAA Assurance Framework (completed)
- Audit of Business Continuity Plan (completed)
- Cybersecurity (commenced)
- Special Disaster Grants and Loans Risk Assessment (completed).

The management team considered these audits and adopted recommendations wherever possible. The audit process has been an active tool in identifying and responding to potential risks, and enabling business improvements.

In 2019–20, RAA retained the services of Centium Group to undertake all audit work. This was done under an 18 month contract awarded following a tender process, and ran from January 2018 to June 2020.



RISK MANAGEMENT

The RAA has an internal Board-approved Audit & Risk Management Policy that guides the approach that the RAA takes to managing audit and risk. The policy is derived from the overarching Department's approach to risk management.

The ARC oversees the maintenance and review of a Risk Management register that is considered at every meeting.

Risk is taken into account for the establishment of any new program and written into governance documentation. The RAA is protected from financial mismanagement or misallocation, through a range of controls, one of the most important of which, is a financial instrument of delegation ("the delegation") signed by our Chief Executive. This delegation makes it clear exactly who in the RAA has authority to approve particular activities, and up to what level. Our financial management system has been developed to mirror the delegation so that it is impossible for the wrong person to make a payment that is beyond their level of delegation.

The RAA's Chief Executive, Sean O'Connell, has responsibility for the organisation and the management team. With many years in government, corporate and not-for profit organisations, Sean brings a solid understanding of the environment, particularly the need to balance speed and access against rigour and integrity. Sean is supported in the governance task by the Manager Policy & Governance, Tim Gippel. Tim has close to 20 years working in the public sector, managing policy, governance and risk teams. Tim has particular expertise in governance and risk management, having developed governance infrastructure and risk management frameworks for each area he has worked. The team has also benefitted greatly from the formal appointment of DNRSW's Director Audit & Risk, Allan Murray, as a Chief Audit Executive. This position was formally created and filled for the RAA in late 2019, in recognition of the increasing level of risk associated with distribution of increased funding.

Managing risks through staff management

One of the RAA's key controls against mistakes and misunderstandings, is that all staff are required to complete training in the Department's Code of Conduct "the Code" when they commence employment. The Code of Conduct articulates:

- standards of conduct
- how we should use resources responsibly
- how we manage information
- how we manage risks and make good decisions
- how we engage with the community
- how we speak up and report when needed
- what happens when the Code is breached.

Refresher training on the Code is required of all staff members periodically. As part of Code of Conduct training, staff learn about conflicts of interest. The Department has a process for declaring conflicts of interest and staff are taught how to identify them, and how to make a declaration.

If staff fail to meet the standards set by the Code, corrective action may be taken in accordance with the *Government Sector Employment Act 2013*.

If there is a finding of misconduct, the action taken will depend on the circumstances, but may include caution or reprimand, assignment to another role, a fine, reduction in grade or termination of employment.

Staff conduct and professional behaviour is monitored by managers and can be supported through actions in the Performance Development Planning process.

FRAUD AND CORRUPTION

As an administrator of public funds, the RAA can be subject to attempts to defraud the system, both internally, and from external parties. In 2019–20, there were 10 instances of allegations of fraud from external parties. In all but two cases, it was not possible to verify that fraud had actually occurred. In the two instances where the RAA had strong reason to believe that fraud had occurred, the cases were referred to NSW Police for investigation. Those cases are in train.

The RAA maintains a procedure for reviewing allegations of fraud.

In 2019–20, there was no evidence of corruption from internal parties. The RAA maintains strong internal controls that make it difficult for internal misallocation of funds to occur. The RAA maintains separation of administration, assessment and

financial functions in the processing or application for payments. Delegations controlled through the financial management system also limit exposure to corruption. High value disbursements require CE approval. Managers supervise processing staff and have approval at key points. Access to RAA processing systems is via a secure login controlled by central DPIE Corporate services.

BUSINESS CONTINUITY PLANNING

The RAA implemented its Business Continuity Plan (BCP) in early 2020, when the COVID-19 pandemic required staff to work from home wherever possible and establish social distancing arrangements. The broad approach to COVID-19 was directed by the NSW Government and the broader Department, however the RAA's Business Continuity Plan and Stepped Action Plan for pandemic helped govern the RAA's transition to working from home, taking into account staffing, health and safety, equipment, program requirements, IT and communications.

While the COVID-19 pandemic served as a useful test of the BCP, an audit identified some improvements that would assist in the instance of a future business disruption. The RAA has worked to incorporate those improvements.

EVALUATING OUR PERFORMANCE

2019–20 has been a busy year of change and growth. The RAA has worked to meet the expectations outlined in our strategic plan. We have fallen short in some areas, and excelled in others.

Our average turnaround time across all key programs was 31.5 days which is longer than our target of 28 days. And our staff engagement was 69% which fell below the target of 75%.

Without a doubt however, the RAA supported economic growth in regional NSW by approving a total of \$751 million to farmers in need. And seven new programs were established that helped farmers respond to natural disaster events. The funding those farmers received could be the difference that sets them up for longer term sustainability.

It was not possible to undertake customer surveys in 2019–20 because of the immediate focus on natural disasters and drought. 2020–2021 will be a return to checking in on our customers' perceptions.

In some instances, the RAA's ability to measure its performance has been hampered by outdated financial management systems. The implementation of a new system in 2019–20 sets us up to do better in this area.

The RAA has commissioned a review of our performance to be undertaken in 2020–21 to learn from our experiences and set a direction for the future. We need to take advantage of our strengths, and build toward the organisation we need to be, to meet the challenges of the future. The recommendations from that review will be ready in 2020–2021.

Strategic plan 2019 - 2023

WHAT WE DO
 “ We deliver flexible and cost effective assistance programs that encourage self-reliance, facilitate change, help build resilience, and drive smart agriculture into the future

HOW WE DO IT

- Support economic growth in regional NSW over the longer term
- Support farmers to manage risks and increase resilience and sustainability
- Provide quality customer service, build effective partnerships and engage collaboratively with stakeholders
- Foster a work environment that attracts and inspires excellence in customer service and program delivery

FOCUSING ON

- Programs that support preparedness and resilience
- Providing an efficient, responsive and professional experience
- Proactive, innovative and effective assistance
- Supporting, developing and empowering our people

MEASURES

- ✓ A decision to clients **within 28 days** after all information received
- ✓ Clients say that financial assistance has **made a difference**
- ✓ More than **75%** employee engagement

Checklist:

- ✓ Loans
- ✓ Grants
- ✓ Disaster Assistance
- ✓ Farm Debt Mediation
- ✓ Education & Training

This is a four year Strategic Plan. The way we deliver on this plan is elaborated in our annual Business Operating Plans

A person in a white shirt and tie is using a calculator on a desk. The desk is covered with financial documents, including a bar chart. The background is blurred, showing another person in a white shirt and tie. A dark blue banner with white text is overlaid on the top left of the image.

RURAL ASSISTANCE AUTHORITY
OUR FINANCIALS

RAA'S FINANCIAL PERFORMANCE – A STRATEGIC OVERVIEW FOR 2019-20

The financial statements for FY 2019-20 demonstrate that the NSW Rural Assistance Authority (RAA), with the assistance of its business partners, has managed its financial affairs during the busiest year in the Authority's history. The 2019-20 year was influenced by continued drought and catastrophic natural disasters that saw the RAA pay out expenses of \$252 million in grants and subsidies.

ADDITIONAL RESOURCES WERE REQUIRED TO MEET DEMAND

The RAA incurred additional operating costs above those originally budgeted as result of the extension of the Emergency Drought Relief (EDR) package, the joint Commonwealth-State response to widespread bushfires and working-from-home requirements necessary to comply with the Government's response to the COVID-19 pandemic.

ECONOMIC CONDITIONS HAVE LED TO INCREASED PROVISIONING

The RAA recognises the external environment continues to shift, with economic impacts brought on by the COVID 19 pandemic, impacts of the widespread and catastrophic bushfires of 2019/2020 and ongoing drought. With anticipation of continued susceptibility to these and other climatic key vulnerabilities, the RAA has reviewed the forward-looking expected loss approach for the 2020 financial year.

An economic adjustment has been applied to account for macroeconomic uncertainty and negative outlook. A secondary overlay, forward looking adjustment, has then been applied for targeted parts of the portfolio that represent elevated risk.

Due to the economic impacts of the drought, widespread bushfires and then COVID 19 leading to an increased possibility of default by customers, the RAA revised the expected credit loss to \$11.9 million reported against financial liabilities consistent with AASB 9.

CONTINUED DEMAND FOR LOANS

Loan advances provided by the RAA increased by \$141 million to \$567.1 million, an 18 per cent increase on the previous year. Through the same period, \$49.8 million was repaid. The increase in loan advances was driven by the demand for both State and Commonwealth loan schemes aimed at primary producers recovering from and meeting challenges from drought, bushfires and storms and floods.

Looking at the Farm Innovation Fund individually, balances have increased from \$246.8 million over the past 12 months to \$309.6 million, an increase of \$62.8 million.

Total loan arrears as at 30 June 2020 was \$5.5 million, representing 0.96% of loan advances. This represents a 126% increase from 30 June 2019.

RAA IS BACKED BY THE STRENGTH OF NSW TREASURY AND OUR NEW CLUSTER

The RAA receives financial support from the Department of Regional NSW and Advances and Loans provided to clients are funded by Treasury or other government agencies. At the date of this report there is no reason to expect this financial support to not continue. The NSW Government announced that the 2020-21 NSW budget was delayed from June 2020 until 17 November 2020. The delay will not have any impact on Department of Regional NSW's ability to draw down on the consolidated fund arising from the Treasurer authorising expenses under Section 4.10 of the GSF Act, in particular, the temporary measures introduced for COVID-19.

Loans from NSW Treasury are currently provided for under a loan facility agreement effective from 1 July 2002. The existing loan facility is on a limited recourse basis the terms being that the RAA carries neither credit nor interest rate risk and has no liquidity risk.

Under the terms of the loan the RAA is only liable to pay to the NSW Treasury by way of principal repayments and interest to the extent that the RAA receives payments of principal and interest from customers to which the RAA has on-lent the funds. The exact terms of the new arrangements are still subject to negotiation. It is, however, likely that under the terms of the new loan facility the RAA will carry credit, interest rate and liquidity risk.

The RAA as currently structured has no capacity to absorb such risks and would need to be reliant on support being provided by Department of Regional NSW (Department) on loans being provided based on the current limited recourse basis. In particular the RAA is required to lend for terms up to 20 years at fixed rates, consequently it may be unable to manage a potential interest rate mismatch which would likely result from entering into a variable rate loan agreement. The RAA currently relies on annual Letters of Comfort provided by the Department which ensures the RAA is able to meet its financial obligations under direction from the Minister for Agriculture to administer components of the Emergency Drought Relief Package (which includes the Drought Assistance Fund).

The changed loan facility arrangements relate to the Farm Innovation Fund which also funds the Drought Assistance Fund providing loans to primary producers to implement systems and management practices that enhance the sustainability of their farm business.

POST 30 JUNE 2020 EVENTS – STAFF AND GOVERNANCE CHANGES

On 1 September, RAA's Manager Financial Administration, Lisa Southwell, took up a 12-month secondment with DPI Agriculture. On the same date, RAA's Strategic Finance Manager, James Ovenstone, assumed responsibility for day-to-day financial management including the finalisation of the statements.

Separately, the RAA board agreed the DRNSW ARC should provide oversight for financial and other risk management matters for the RAA and nominated Ms Kerry Aaby to be a member of that committee.

Note - For the purpose of the body of the Annual Report, program statistics have been provided on a disbursed and approved in principle basis which does not align with accrual accounting as used for the financial statements. Providing data in this way provides the ability to interrogate the data more closely to program level, in way that it not possible in the financial statements but provides information that responds to public interest.





INDEPENDENT AUDITOR'S REPORT

New South Wales Rural Assistance Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the New South Wales Rural Assistance Authority (the Authority), which comprises the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Authority in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Authority's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the Authority is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

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

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

The scope of my audit does not include, nor provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Min Lee
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 November 2020
SYDNEY

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

Pursuant to section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983* I state that:

- (a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the provisions of the *Public Finance and Audit Act 1983* (the Act), the applicable clauses of the *Public Finance and Audit Regulation 2015*, and the Treasurer's Directions under the Act;
- (b) the accompanying financial statements exhibit a true and fair view of the financial position as at 30 June 2020 and the financial performance of New South Wales Rural Assistance Authority for the year ended 30 June 2020;
- (c) at the date of signing I am not aware of any circumstances that would render the financial statements materially misleading or inaccurate.



Sean O'Connell
Chief Executive

Date 18/11/20

FINANCIAL STATEMENTS 30 JUNE 2020

Beginning of financial statements

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Expenses excluding losses				
Operating expenses				
Personnel services	2(a)	7,240	2,414	5,250
Other operating expenses	2(b)	4,804	2,756	5,458
Depreciation and amortisation	2(c)	-	9	6
Grants and subsidies	2(d)	252,494	93,700	138,829
Finance costs	2(e)	6,368	13,460	17,155
Total Expenses excluding losses		270,906	112,339	166,698
Revenue				
Sales of goods and services		-	583	-
Investment revenue	3(a)	6,496	15,672	17,462
Grants and contributions	3(b)	293,552	99,316	114,173
Acceptance by the Crown Entity of employee benefits and other liabilities	3(c)	290	-	219
Other revenue	3(d)	674	1,034	895
Total Revenue		301,012	116,605	132,749
Other gains / (losses)	4, 8	(8,049)	-	(390)
Net Result		22,057	4,266	(34,339)
Other comprehensive income				
Total other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		22,057	4,266	(34,339)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
ASSETS				
Current Assets				
Cash and cash equivalents	6	61,690	50,717	30,447
Receivables	7	3,975	2,739	5,279
Other financial assets	8	89,193	15,494	78,294
Total Current Assets		154,858	68,950	114,020
Non-Current Assets				
Other financial assets	8	464,765	628,155	392,282
Property, plant and equipment				
Plant and equipment	9	-	84	-
Intangible assets	10	1	8	1
		464,766	628,247	392,283
Total Assets		619,624	697,197	506,303
LIABILITIES				
Current Liabilities				
Payables	12	23,824	4,536	59,733
Borrowings	13	89,194	90,051	78,294
Provisions	14	39,019	3,526	1,736
Total Current Liabilities		152,037	98,113	139,763
Non-Current Liabilities				
Borrowings	13	477,875	592,038	398,886
Provisions	14	3	13	4
Total Non-Current Liabilities		477,878	592,051	398,890
Total Liabilities		629,915	690,164	538,653
Net Assets		(10,291)	7,033	(32,348)
EQUITY				
Accumulated funds	15	(10,291)	7,033	(32,348)
Total Equity		(10,291)	7,033	(32,348)

The accompanying notes form part of these financial statements.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 July 2019		(32,348)	(32,348)
Net result for the year		22,057	22,057
Total other comprehensive income		-	-
Total comprehensive income for the year		22,057	22,057
Balance at 30 June 2020		(10,291)	(10,291)
Balance at 1 July 2018		5,335	5,335
Changes in accounting policy (AASB 9)		(3,344)	(3,344)
Restated balance as at 1 July 2018		1,991	1,991
Net result for the year		(34,339)	(34,339)
Total other comprehensive income		-	-
Total comprehensive income for the year		(32,348)	(32,348)
Balance at 30 June 2019		(32,348)	(32,348)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services		(6,657)	(2,414)	(5,155)
Grants and subsidies		(258,325)	(93,700)	(139,664)
Finance costs		(6,367)	(10,595)	(18,101)
Other		1,366	(1,736)	38,325
Total Payments		(269,983)	(108,445)	(124,595)
Receipts				
Sale of goods and services		-	583	-
Interest received		5,765	(410)	17,929
Grants and contributions		292,890	99,316	113,300
Other		4,105	(1,006)	4,342
Total Receipts		302,760	98,483	135,571
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	32,777	(9,962)	10,976
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance repayments received		49,887	99,240	183,743
Purchases of plant and equipment		-	(50)	-
Advances made		(141,309)	(281,737)	(273,082)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(91,422)	(182,547)	(89,339)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		152,223	304,338	191,588
Repayment of borrowings		(62,335)	(105,799)	(122,669)
NET CASH FLOWS FROM FINANCING ACTIVITIES		89,888	198,539	68,919
NET INCREASE/(DECREASE) IN CASH		31,243	6,030	(9,444)
Opening cash and cash equivalents		30,447	44,687	39,893
CLOSING CASH AND CASH EQUIVALENTS	6	61,690	50,717	30,447

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YAER ENDED 30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The NSW Rural Assistance Authority (the Authority), is a NSW government entity and was established under the *Rural Assistance Act 1989*. The Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units other than interest on its loans. The Authority is consolidated as part of the NSW Total State Sector Accounts.

Section 47 A of the *Constitution Act 1902* precludes the Authority from employing staff. Under the *Rural Assistance Act 1989*, the Authority can obtain personnel services from Government agencies who are able to engage staff under the Government Sector Employment Act 2013 to enable the Authority to exercise its functions. During 2019-20, personnel services were provided by the Department of Planning, Industry and Environment (DPIE) and Department of Regional NSW (DRNSW). The Authority is a separate reporting entity and neither principal department, DPIE or DRNSW, control the Authority for financial reporting purposes.

As a result of Administrative Arrangements (Administrative Changes – Regional NSW and) Order 2020, in pursuance of part 7 of the Constitution Act 1902, the Authority was transferred from DPIE cluster to the newly created DRNSW cluster, effective 2 April 2020.

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive on the date of the accompanying statement in accordance with section 41C (1B) & (1C) of the *Public Finance and Audit Act 1983 (the Act)* was signed.

(b) Basis of preparation

The Authority's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983 (the Act)* and *Public Finance and Audit Regulation 2015* and
- Treasurer's Directions issued under the Act.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key report assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Going Concern

The Authority's financial statements have been prepared on a going concern basis.

The Authority receives financial support from the Department of Regional NSW and Advances and Loans provided to clients are funded by Treasury or other government agencies. Subsequent to 30 June 2020, the Authority has received confirmation that the Department of Regional NSW will provide financial support for a period of no less than 12 months from the date of this report, subject to no intervening decisions of Government. The NSW Government has announced that the 2020-21 NSW budget will be delayed from June 2020 until later this year. The delayed 2020-21 NSW budget will not have any impact on Department of Regional NSW's ability to draw down on the consolidated fund arising from the Treasurer authorising expenses under Section 4.10 of the GSF Act, in particular, the temporary measures introduced for Covid-19.

(d) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(e) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

The NSW Ovine Johne's Disease Transaction Based Contribution Scheme is grouped with the Authority for GST purposes and the GST component of all the Scheme's transactions are included within the Authority's accounts.

(f) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YAER ENDED 30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Changes in accounting policies, including new or revised Australian Accounting Standards

The accounting policies applied in the preparation of these financial statements are consistent with those of the previous financial year unless otherwise stated. The following new Australian Accounting Standards are mandatorily applicable for the first time at 1 July 2019.

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 16 *Leases*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (1 July 2019)*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*

(i) Effective for the first time in FY2019-20

The Authority applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the Authority.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Authority has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The Authority has used the following transitional practical expedients permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations

The adoption of AASB 15 did not have an impact on Statement of Financial Position, Statement of Comprehensive Income and the Statement of Cash Flows for the financial year.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Authority has adopted the AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The Authority has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the Authority to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have an impact on Statement of Financial Position, Statement of Comprehensive Income and the Statement of Cash Flows for the financial year.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YAER ENDED 30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

(i) Effective for the first time in FY2019-20 (continued)

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, and, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the Authority is the lessor.

Lessee accounting

AASB 16 requires Authority to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the entity recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Authority has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

The Authority elected to use the practical expedient to expense lease payments for lease contracts that at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

The adoption of AASB 16 did not have an impact statement of Financial Position, Statement of Comprehensive Income or Statement of Cash Flows.

ii) Issued but not yet effective

The following new Australian Accounting Standards have been issued but are not yet effective. NSW Public Sector entities are not permitted to early adopt new Australian Accounting standards unless Treasury determines otherwise. The Authority has not early adopted any of these new standards or amendments. When applied in future periods, they are not expected to have a material impact on the financial position or performance of the Authority, unless otherwise detailed below:

- AASB 1059 *Service Concession Arrangements - Grantors*
- AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059*
- AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*
- AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations.*
- AASB 17 *Insurance Contracts*

RAA has assessed the impact of the new standards and interpretations issued but not yet effective and considers the impact to be not material.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. EXPENSES EXCLUDING LOSSES

	2020	2019
	\$000	\$000
(a) Personnel services		
Salaries and wages (including recreation leave)	5,897	4,362
Redundancy payments	175	-
Superannuation	498	375
Long service leave	288	245
Workers compensation insurance	17	13
Payroll tax and fringe benefits tax	365	255
	7,240	5,250
(b) Other operating expenses include the following:		
Administration fees	449	449
Advertising and promotion	85	13
Auditor's remuneration – audit of financial statements	119	113
Auditor's remuneration – other	26	56
Bad and doubtful debts	10	2
Computer software fees	30	16
Consultancy	810	3,116
Contractors and other fees	2,454	617
Insurance	-	11
Legal fees	-	1
Other operating	288	453
Rent	338	305
Computer consumables	6	135
Purchase assets < \$5,000	52	-
Telecommunication	16	12
Training and staff development	17	19
Travel	104	140
	4,804	5,458
Consultancy		
Financial System upgrade	-	2,992
Other	810	124
	810	3,116
Insurance		
The Authority's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.		
(c) Depreciation and amortisation expense	2020	2019
	\$000	\$000
Depreciation		
Plant and equipment	-	6
Amortisation		
Intangible assets	-	-
	-	6

Refer to Note 9 and 10 for recognition and measurement policies on depreciation and amortisation.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. EXPENSES EXCLUDING LOSSES (continued)

(d) Grants and subsidies

	2020	2019
	\$000	\$000
Fisheries Adjustment Grants	2	1
Natural Disaster Relief Grants	103,952	539
Transport Subsidies	332	2,681
Dairy Industry Fund	203	186
Emergency Drought Relief	123,577	125,648
Farms Business Skills	(846)	1,727
Drought Regional Initiatives	-	1,500
Emergency Water Infrastructure Rebate	19,012	6,047
Off shore Fisheries program	-	500
Bushfire Industry Recovery Program	6,262	-
	252,494	138,829

Recognition and Measurement

Grants and subsidies paid

Grants and subsidies are generally recognised as an expense when the Authority relinquishes control over the assets comprising the grant/subsidies. Accruals are recognised where the Authority has a present obligation to an applicant and the amount for which the Authority is liable is known. Where there is a present obligation the amount liable is estimated from historical approval rates and a provision is recognised.

(e) Finance costs

	2020	2019
	\$000	\$000
Interest on Treasury advance	1,246	2,041
Interest on Commonwealth loans	3,905	5,430
Amortised interest expense	1,217	9,684
	6,368	17,155

Recognition and Measurement

Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW general government sector agencies.

3. REVENUE

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Investment revenue

	2020	2019
	\$000	\$000
Interest	141	309
Interest income on loans	5,138	7,469
Amortised interest revenue	1,217	9,684
	6,496	17,462

Recognition and Measurement

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. REVENUE (continued)

(b) Grants and contributions

	2020 \$000	2019 \$000
Recurrent grants	9,641	7,882
Emergency drought package	173,200	100,003
Bushfire Industry Recovery Program	7,000	-
Emergency water infrastructure rebate	13,071	6,142
Reimbursement for natural disaster relief grants	90,412	(4)
Fisheries target share trading subsidy	6	38
Other	222	112
	293,552	114,173

Recognition and Measurement

Grants and contributions include grants from Department of Planning, Industry and Environment and Department of Regional NSW. Income from grants without sufficient specific performance obligations is recognised when the Authority obtains control over the granted assets (e.g cash). The Authority is deemed to have assumed control when the grant is received or receivable. Control over contributions is normally obtained upon the receipt of cash. Contributions are not recognised as revenue in the following circumstances:

- Contributions (other than contributions by owners) are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.
- Contributions from other bodies received in advance of the commencement of a grant program are recognised as unearned revenue. The liability is disclosed in Note 12 as part of 'Current Liabilities – Payables'.

(c) Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown Entity or other Government agencies:

	2020 \$000	2019 \$000
Long service leave provision	290	219
	290	219

(d) Other revenue

	2020 \$000	2019 \$000
Reduction in doubtful debts	-	11
Loan and grant administration fee	674	884
	674	895

4. OTHER GAINS / (LOSSES)

	2020 \$000	2019 \$000
Impairment losses on financial assets	(8,049)	(390)
	(8,049)	(390)

5. PROGRAM GROUPS OF THE NSW RURAL ASSISTANCE AUTHORITY

Risk managed for natural resources, farming and food

Program Group: This program group covers financial assistance through loans and grants allowing primary producers small businesses and non for profit organisations to continue operations following natural disasters and to become more resilient, self-reliant and sustainable.

As there is only one program group, details of the expenses, income, assets and liabilities for this service group are available in the primary financial statements.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2020 \$000	2019 \$000
Cash at bank and on hand	61,690	30,447
	61,690	30,447

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short term deposits.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

	2020 \$000	2019 \$000
Cash and cash equivalents (per statement of financial position)	61,690	30,447
Closing cash and cash equivalents (per statement of cash flows)	61,690	30,447

Refer to Note 11 for a list of restricted cash and their balances at 30 June 2020.

Refer Note 20 for details regarding credit risk, liquidity risk, interest rate risk and market risk arising from financial instruments.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. CURRENT ASSETS - RECEIVABLES

	2020 \$000	2019 \$000
Other debtors		
Other	54	3,758
Trade debtors	1,774	187
Less: Allowance for expected trade credit losses	(9)	(11)
Interest receivable - on loans	2,076	1,344
Net GST	80	-
Personnel services	-	1
	3,975	5,279
	2020	2019
	\$000	\$000
Movement in the allowance for expected credit losses		
Balance at the beginning of the year	11	-
Amounts restated through opening accumulated funds		12
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in net results	(2)	(1)
Balance at the end of the year	9	11

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 20.

Recognition and Measurement

All 'regular way' purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Authority holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Authority recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Authority expects to receive, discounted at the original effective interest rate.

For trade receivables, the Authority applies a simplified approach in calculating ECLs. The Authority recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority has adopted the Department of Planning, Industry and Environment's provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. CURRENT / NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

CURRENT	2020 \$000	2019 \$000
Advances receivable - loans to clients secured	89,193	78,294
	89,193	78,294
NON-CURRENT		
Advances receivable - loans to clients secured	465,773	396,077
Advances receivable - loans to clients unsecured	10,839	-
Less: Allowance for expected credit losses	20(d) (11,847)	(3,795)
	464,765	392,282
	2020 \$000	2019 \$000
Movement in the allowance for expected credit losses		
Balance at the beginning of the year	3,795	73
Amounts restated through opening accumulated funds	-	3,332
Increase/(decrease) in allowance recognised in net result	8,052	390
Balance at the end of the year	11,847	3,795

Refer to Note 20 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

All 'regular way' purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Other financial assets are initially measured at fair value plus any transaction cost.

Subsequent measurement*Financial assets at amortised cost*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

Impairment

The Authority recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Authority expects to receive, discounted at the original effective interest rate.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

	Plant and Equipment \$000
At 1 July 2019 - fair value	
Gross carrying amount	120
Accumulated depreciation and impairment	(120)
Net carrying amount	-
At 30 June 2020 - fair value	
Gross carrying amount	120
Accumulated depreciation and impairment	(120)
Net carrying amount	-

The property, plant and equipment does not include any right-of-use assets.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

Year ended 30 June 2020

Net carrying amount at beginning of year	-
Depreciation expense	-
Net carrying amount at end of year	-

At 1 July 2018 - fair value

Gross carrying amount	120
Accumulated depreciation and impairment	(113)
Net carrying amount	7

At 30 June 2019 - fair value

Gross carrying amount	120
Accumulated depreciation and impairment	(120)
Net carrying amount	-

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

Year ended 30 June 2019

Net carrying amount at beginning of year	7
Depreciation expense	(7)
Net carrying amount at end of year	-

Recognition and Measurement

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT (continued)**Recognition and Measurement (continued)*****Depreciation of property, plant and equipment***

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Authority.

All material separately identifiable components of assets are depreciated separately over their useful lives.

Plant and equipment useful lives range from 4 to 15 years.

Depreciation rates are reviewed and determined on an annual basis.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. The Authority has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10. INTANGIBLE ASSETS

	Software
	\$000
At 1 July 2019	
Cost (gross carrying amount)	5
Accumulated amortisation and impairment	(4)
Net carrying amount	1
At 30 June 2020	
Cost (gross carrying amount)	5
Accumulated amortisation and impairment	(4)
Net carrying amount	1
Year ended 30 June 2020	
Net carrying amount at start of year	1
Amortisation (recognised in 'depreciation and amortisation')	-
Net carrying amount at end of the period	1
At 1 July 2018	
Cost (gross carrying amount)	5
Accumulated amortisation and impairment	(4)
Net carrying amount	1
At 30 June 2019	
Cost (gross carrying amount)	5
Accumulated amortisation and impairment	(4)
Net carrying amount	1
Year ended 30 June 2019	
Net carrying amount at start of year	1
Amortisation (recognised in 'depreciation and amortisation')	-
Net carrying amount at end of year	1

Recognition and Measurement

The Authority recognises intangible assets only if it is probable that future economic benefits will flow to the Authority and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Authority's software assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Authority's intangible assets are amortised using the straight line method over a period of 10 years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. RESTRICTED ASSETS

The Authority holds within cash at bank and on hand the following amounts that have specific legislative or contractual conditions associated with the use of the funds.

	2020	2019
	\$000	\$000
CURRENT		
Commonwealth Concessional Loans	1,213	7,080
NSW Treasury	13,257	6,149
Dairy Industry Fund	497	536
Emergency Drought Relief Package	38,148	12,110
Emergency Water Infrastructure Rebate	601	-
Flying Fox Netting subsidy	222	222
Jobs for NSW Fund	1,833	2,433
Young Farmers	2,000	-
Bushfire Industry Recovery Program	1,164	-
Loans Module Upgrade	1,525	-
	60,460	28,529

12. CURRENT LIABILITIES - PAYABLES

	2020	2019
	\$000	\$000
Unearned Income	1,213	1,875
Personnel services payable	180	78
Net GST	-	68
Creditors - emergency drought relief package	6,508	42,923
Creditors - Others	15,923	14,789
	23,824	59,733

***Creditors Emergency Drought Relief Package**

Grants - Donated Fodder	-	9,596
Grants - Emergency Transport Subsidy	-	16,327
Grants - Programs administered outside the Authority	-	11,000
Emergency Drought Relief Package - Farm Innovation Fund Interest Waiver	6,508	6,000
	6,508	42,923

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in Note 20.

Recognition and measurement

Payables represent liabilities for goods and services provided to the Authority and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

13. CURRENT/NON CURRENT LIABILITIES - BORROWINGS

Unsecured

Commonwealth loan repayable	63,422	55,067
Treasury loan repayable	25,772	23,227
	89,194	78,294

NON-CURRENT**Unsecured**

Commonwealth loan repayable	62,694	101,334
Treasury loan repayable	415,181	297,552
	477,875	398,886

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 20.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13. CURRENT/NON CURRENT LIABILITIES - BORROWINGS (continued)

Recognition and measurement

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Changes in liabilities arising from financing activities

2020	1-Jul-19	Net cash Flows	30-Jun-20
	\$000	\$000	\$000
Treasury Loan Repayable			
Current	23,227	2,545	25,772
Non Current	297,552	117,629	415,181
Commonwealth Loan Repayable			
Current	55,067	8,355	63,422
Non Current	101,334	(38,640)	62,694
Total Liabilities from financing activities	477,180	89,889	567,069
2019	1-Jul-18	Net cash	30-Jun-19
	\$000	\$000	\$000
Bank Overdraft			
Treasury Loan Repayable			
Current	20,777	2,450	23,227
Non Current	222,147	75,405	297,552
Commonwealth Loan Repayable			
Current	38,740	16,327	55,067
Non Current	126,597	(25,263)	101,334
Total Liabilities from financing activities	408,261	68,919	477,180

*Other includes non cash movements including loan write-off's and net present value adjustments

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS

CURRENT

	2020	2019
	\$000	\$000
Personnel Services Liabilities		
Annual leave	462	304
Long service leave	65	50
Payroll tax	9	15
Other on-costs	55	31
	591	400
Other Provisions		
NSW Government Grants	38,428	-
Other	-	1,336
	38,428	1,336
Total current provisions	39,019	1,736

NON-CURRENT

Employee benefits and related on-costs

Long service leave	2	3
Payroll tax	1	1
	3	4
Total non-current provisions	3	4

Aggregate employee benefits and related on-costs

Provisions – current	591	400
Provisions – non-current	3	4
Personnel services payable (Note 12)	180	78
	774	482

Movement in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Grants payment

	\$000	\$000
Balance at 1 July 2019	1,336	1,715
Additional provisions		
- Emergency Transport Subsidies	21,201	-
- Emergency Water Infrastructure Rebate	2,595	-
- Bushfire Industry Recovery Program	426	-
- Natural Disaster Relief Grants	14,206	1,336
Amounts used	(1,336)	(1,715)
Balance at 30 June 2020	38,428	1,336

Recognition and Measurement

Personnel services arrangement

Salaries and wages, annual leave and sick leave

Under clause 8 (1) of the *Administrative Arrangement Order 2014*, effective from 24 February 2014, the staff employed by the Office of the Rural Assistance Authority to provide personnel services to the Authority were transferred to Department of Planning, Industry & Environment formerly Department of Industry. From this date all payments to employees and related obligations are processed in Department of Planning, Industry & Environment and are classified as 'Personnel services expense' in the financial statements.

Liabilities for personnel services are stated as liabilities to the service provider, Department of Planning, Industry & Environment. Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

The Authority's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity through Department of Planning, Industry and Environment. The Authority accounts for the liability as having been extinguished; resulting in the amount assumed being shown as part of the non-monetary revenue item described as Acceptance by the Crown Entity of employee benefits and other liabilities.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Other Provisions

Provisions are recognised when: the Authority has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

15. EQUITY

The category 'accumulated funds' includes all current and prior period retained funds.

16. COMMITMENTS FOR EXPENDITURE

	2020	2019
	\$000	\$000
(a) Other expenditure commitments		
(i) Loan commitments		
(i) Commitments for the payments of Special Conservation Scheme, DECA and Natural Disaster Loans		
Not later than one year	11,170	1,401
Total (excluding GST)	11,170	1,401
The total of loan commitments does not include GST as they are financial supplies.		
(ii) Commitments for the payments of Commonwealth Farm Finance, Drought Concession Loans and Drought Recovery Loans		
Not later than one year	-	1,000
Total (excluding GST)	-	1,000
The total of loan commitments does not include GST as they are financial supplies.		
(iii) Commitments for the payments of Farm Innovation Loans and Seafood Industry Innovation Fund Loans		
Not later than one year	83,398	65,962
Total (excluding GST)	83,398	65,962
The total of loan commitments does not include GST as they are financial supplies.		

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

16. COMMITMENTS FOR EXPENDITURE (continued)

	2020 \$000	2019 \$000
(iv) Commitments for the payments of Drought Assistance Fund Loans		
Not later than one year	40,051	39,107
Total (excluding GST)	<u>40,051</u>	<u>39,107</u>
(v) Commitments for the payments of Drought Transport Fund Loans		
Not later than one year	151	181
Total (excluding GST)	<u>151</u>	<u>181</u>
(vi) Commitments for the payments of NSW Fisheries Adjustment Loan		
Not later than one year	18	80
Total (excluding GST)	<u>18</u>	<u>80</u>
(vii) Commitments for the payments of Forestry Industry Innovation Funds		
Not later than one year	6,155	5,999
Total (excluding GST)	<u>6,155</u>	<u>5,999</u>
The total of loan commitments does not include GST as they are financial supplies.		
(ii) Partnership Agreement - Department of Planning, Industry and Environment		
Not later than one year	449	561
Total (including GST)	<u>449</u>	<u>561</u>

Under the Partnership Agreement, the Authority only needs to provide 3 months notice to terminate the agreement.

(b) Operating lease commitments

Aggregate operating expenditure contracted for at balance date but not provided for in accounts payable:

(i) Office rent

Not later than one year	79	79
Total (including GST)	<u>79</u>	<u>79</u>

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Authority did not have any contingent liabilities or contingent assets as at 30 June 2020 (2019: Nil).

18. BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted statements presented to Parliament in respect of the reporting period. Subsequent adjustments to the original budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net result

The net result was \$15.7 million favourable to budget.

As at 30 June 2019 the Authority had \$31 million in unpaid Cluster Grants. These grants were paid in the 2020 financial year and not included in the original budget.

Due to the economic impacts of the drought, widespread bushfires and then COVID 19 leading to an increased possibility of default by customers, the Authority revised the expected credit loss reported against financial liabilities consistent with AASB 9 Financial Instruments, increasing the impairment recorded by \$8 million. This increase was not reflected in the original budget.

The Authority incurred additional operating costs above those originally budgeted as result of the extension of the Emergency Drought Relief (EDR) package, the joint Commonwealth-State response to widespread bushfires and working-from-home requirements necessary to comply with the Government's response to the COVID-19 pandemic.

Assets and liabilities

The total equity was \$19.4 million unfavourable to budget. This variance resulted primarily from \$14 million in Natural Disaster grants in which revenue is to be reported when received in the subsequent financial year. In addition, the Authority revised the expected credit loss for impairment of financial assets to reflect the current economic conditions.

Cash flows

The net cash flow from cash and cash equivalents was \$25.2 million favourable. This was due to the \$31 million in unpaid grants as at 30 June, which was paid this year. The remaining movement was due to the greater than expected uptake of financial assistance products.

19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES NET RESULT

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	2020 \$000	2019 \$000
Net cash used on operating activities	<u>32,777</u>	<u>10,976</u>
Depreciation and amortisation expense	-	(6)
Decrease / (increase) in provisions	(37,283)	163
Increase / (decrease) in receivables	(1,296)	(2,368)
Decrease / (increase) in payables	35,908	(42,714)
Other gain / (loss)	(8,049)	(390)
Net Result	<u>22,057</u>	<u>(34,339)</u>

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL INSTRUMENTS

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with the Authority's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees to policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by management.

(a) Financial instrument categories

Class:	Notes	Category	Carrying Amount	
			2020	2019
			\$000	\$000
Financial Assets				
Cash and cash equivalents	6	Amortised Cost	61,690	30,447
Receivables ¹	7	Amortised Cost	3,895	5,279
Other financial assets	8	Amortised Cost	553,958	470,576
Financial Liabilities				
Payables ²	12	Financial liabilities measured at amortised cost	22,611	57,790
Borrowings	13	Financial liabilities measured at amortised cost	567,069	477,180

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the entity has transferred substantially all the risks and rewards of the asset; or
- the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

Where the Authority has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Authority's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

The Authority is exposed to liquidity, credit and market rate risk in the event its customers will be unable to meet the payment obligations when they fall due. The Authority will generally seek to renegotiate repayment terms with customers prior to default. The Authority continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL INSTRUMENTS (continued)

Risk associated with the Authority's financial assets, other than receivables, is further managed through the selection of counterparties and establishment of minimum credit rating standards and is currently limited by the limited recourse nature of the Authority's loan arrangements with NSW Treasury and the Commonwealth. This risk may alter in the future depending on the final terms of any new loan facility with NSW Treasury. The Authority has no reason to believe this risk will materialise in the coming period. The Authority may have a change in exposure on loans to NSW Treasury based on potential changes in loan conditions to both the Drought Assistance Fund and the Farm Innovation Fund. The Authority may be liable to meet a net interest expense differential between the 2.5% paid by the client and the TCorp interest rate and the NSW Government's 10 year bond. To date this remains a risk. The Authority has no reason to believe this risk will materialise in the coming period.

The Authority's exposure to risk may increase if the above requirements of NSW Treasury come into effect based on prior periods' data and current assessment of risk. The Authority has no reason to believe this risk will materialise in the coming period.

(i). Credit risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. While the maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment) the exposure is limited due to the limited recourse nature of all loans to the Authority.

Credit risk arises from the financial assets of the Authority, including cash, receivables and authority deposits. Advances receivable - loans to clients comprises mainly of Disaster and Special Scheme Loans. Disaster Loans are secured by registered mortgages over land and Special Scheme Loans are by Statutory Charge and registered caveat over the land on which the proposed works are to be carried out. The Authority has not granted any financial guarantees.

Credit risk associated with the Authority's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards and is currently limited by the limited recourse nature of the Authority's loan arrangements with NSW Treasury and the Commonwealth. This risk may alter in the future depending on the final terms of any new loan facility with NSW Treasury.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

*Accounting policy for impairment of trade receivables and other financial assets**Receivables - trade receivables*

Collectability of trade receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Authority applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery.

The loss allowance for trade receivables as at 30 June 2020 and 1 July 2019 was determined as follows:

	30 June 2020					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate %	4%	4%	4%	4%	8%	
Estimated total gross carrying amount (\$000)	-	-	-	-	116	116
Expected credit loss (\$000)	-	-	-	-	9	9
	30 June 2019					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate %	4%	4%	4%	4%	8%	
Estimated total gross carrying amount (\$000)	77	-	-	-	110	187
Expected credit loss (\$000)	3	-	-	-	9	12

Notes: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 7.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

Authority Deposits

The Authority has placed no funds on deposit with TCorp.

Other financial assets

Accounting policy for impairment of other financial assets under AASB 9

Other financial assets represent loans advanced by the Authority to eligible primary producers, not for profit organisations and small businesses under various schemes. The carrying amount of advances receivable - loans to clients represents the present value of the outstanding principal and interest raised not accrued. Collectability of advances receivable - loans to clients is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount of advances receivable - loans to clients (net of any allowance for impairment).

The Farm Business Concessional Loans (Drought Assistance & Dairy Recovery) have a variable interest rate which is set and reviewed by the Commonwealth in accordance with the Scheme Guidelines. The current concessional interest rate for Farm Business Concessional Loans (Drought Assistance & Dairy Recovery) is 1.63% (2019: 3.09%).

The interest rate on Natural Disaster Loans is currently 0.82% (2019: 1.37%). The Farm Innovation Fund Loan is currently 0% (2019: 0%) - interest waived until 30 June 2020. The rates are fixed at 50% of the 10-year Bond Rate. The interest rate on Accelerated Growth Loans (administered by the Authority on behalf of Jobs for NSW Fund) is 9.2% (2019: 9.20%). NSW Fisheries adjustment loans fixed interest rate of 2.5.% (2019: 2.50%) over a maximum of 12 years.

The Drought Recovery Loans have a variable interest rate which is set and reviewed by the Commonwealth in accordance with the Scheme Guidelines. The current concessional interest rate for Drought Recovery Loans is 1.23% (2019: 2.69%). The Farm Finance Concessional Loans have a variable interest rate which is set and reviewed by the Commonwealth in accordance with the Scheme Guidelines. The current concessional interest rate for Farm Finance Concessional Loan is 2.27% (2019: 3.66%).

The Drought Concessional Loans have a variable interest rate which is set and reviewed by the Commonwealth in accordance with the Scheme Guidelines. The current concessional interest rate for Drought Concessional Loans is 1.77% (2019: 3.16%).

Farm Innovation Fund loans may be drawn down over a period, generally 12 months, and are recognised at fair value, usually based on the transaction cost or face value until fully determined (2020: \$83.472m; 2019: \$65.962m). Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any expected credit loss of receivables.

In the 2019 financial year the Authority adopted AASB 9 *Financial Instruments*. The adoption of AASB 9 changed the Authority's accounting for financial assets by replacing AASB 139 Financial Instruments: Recognition and Measurements incurred loss approach with a forward-looking expected credit loss (ECL) approach. This approach is applied to the loan value at the time of impairment calculation, and does not include any approved but undrawn funds.

For the comparative to 30 June 2019 the expected credit loss for other financial assets is as follows:

2019	30 June 2019		Total
	Balance	Risk Profile	Impairment
Product	\$000	%	\$000
Disaster Loan			
Bushfire	5,262	3.74%	197
Flood	34,835	3.74%	1,303
Small Business	1,832	3.74%	69
Sporting, Church & Non Profit Organisations	9	3.74%	0
Storm	6,315	3.74%	236
Farm Innovation Fund Loans	246,828	0.29%	716
Other	-		
Business Improvement Conc.Loan	5,839	1.96%	114
Darling Electricity Construction Agency (DECA)	26	1.96%	1
Drought Assistance Fund	26,245	1.96%	514
Drought Transport Fund Loan	144	1.96%	3
Forest Indust Innov Fund Loan	-	1.96%	-
Seafood Innovation Fund Loan	-	1.96%	-
Special Conservation Scheme	12,007	1.96%	235
NSW Commercial Fisheries Business Adjustment Program Loans	2,195	0.40%	9
Dairy Recovery Concessional Loans	5,509	0.26%	14
Drought Concessional Loans	64,857	0.32%	208
Drought Recovery Loans	17,238	0.17%	29
Farm Business Dairy Concessional Loans	7,728	0.34%	26
Farm Business Drought Concessional Loans	21,913	0.34%	75
Farm Finance Concessional Loans	28,739	0.16%	46
Total	487,522		3,795

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

The Authority recognises that the external environment continues to shift, with economic impacts brought on by the COVID 19 pandemic, impacts of the widespread and catastrophic bushfires of 2019/2020 and ongoing drought. With anticipation of continued susceptibility to these and other climatic key vulnerabilities, the Authority has reviewed the forward looking expected loss approach for the 2020 financial year.

In recognition of the added risk, the Authority has applied two overlays to the provisions under the Simplified Approach.

An economic adjustment has been applied to account for macroeconomic uncertainty and negative outlook. A secondary overlay, forward looking adjustment, has then been applied for targeted parts of the portfolio that represent elevated risk.

The 30 June 2020 expected credit loss for other financial assets is :

2020	30 June 2020		Base Expected Credit Loss	Economic adjustment uplift	Forward looking adjustment	Estimated Credit Loss
	Balance	Risk Profile				
Product	\$000	%	\$000	\$000	\$000	\$000
Disaster Loans						
Bushfire	7,436	3.74%	278	167	89	534
Flood	26,905	3.74%	1,006	604	269	1,879
Small Business	11,124	3.74%	416	250	133	799
Sporting, Church & Non Profit						
Organisations	100	3.74%	4	2	1	7
Storm	6,825	3.74%	255	153	68	477
Farm Innovation Fund Loans	309,595	0.29%	898	539	2,477	3,913
Other						
Business Improvement Conc.Loan	5,857	1.96%	115	69	47	231
DECA	27	1.96%	1	0	-	1
Drought Assistance Fund	64,720	1.96%	1,269	761	518	2,548
Drought Transport Fund Loan	147	1.96%	3	2	1	6
Forest Indust Innov Fund Loan	3,137	1.96%	61	37	35	133
Seafood Innovation Fund Loan	2,896	1.96%	57	34	32	123
Special Conservation Scheme	9,486	1.96%	186	112	76	373
NSW Commercial Fisheries BAP Loans	1,925	0.40%	8	5	21	33
Dairy Recovery Concessional Loans	5,509	0.26%	14	9	-	23
Drought Concessional Loans	53,791	0.32%	172	103	-	275
Drought Recovery Loans	16,270	0.17%	28	17	-	44
Farm Business Dairy Concessional Loans	7,473	0.34%	25	15	60	100
Farm Business Drought Concessional Loans	22,962	0.34%	78	47	184	309
Farm Finance Concessional Loans	15,093	0.16%	24	14	-	39
Total						
	571,278					11,847

	2020	2019
	\$000	\$000
Petty cash card limit	50	50

(ii). Liquidity risk

During the current and prior year, there were no defaults of loans payable by the Authority. No assets have been pledged as collateral.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which the invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an Authority (or a person appointed by the Head of an Authority) may automatically pay the supplier simple interest.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(ii). Liquidity risk (continued)

The table below summarises the maturity profile of the Authority's financial liabilities, together with the interest rate exposure.

	Weighted Average Effective Int. Rate	Nominal Amount ¹ \$000	Interest Rate exposure			Maturity Dates		
			Fixed Int. Rate \$000	Variable Int. Rate \$000	Non-interest Bearing \$000	< 1 yrs \$000	1 to 5 yrs \$000	> 5 yrs \$000
2020								
Payables	0.0%	22,611	-	-	22,611	22,611	-	-
Borrowings:								
Advances repayable	3.0%	567,069	440,953	126,116	-	89,193	144,033	333,843
		589,680	440,953	126,116	22,611	111,804	144,033	333,843
2019								
Payables	0.0%	57,790	-	-	57,790	57,790	-	-
Borrowings:								
Advances repayable	3.0%	477,180	320,779	156,401	-	78,294	137,555	261,331
		534,970	320,779	156,401	57,790	136,084	137,555	261,331

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Authority can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

(iii). Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposure in existence at the statements of financial position date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Authority's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Authority does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). In the event that the new loan arrangements with NSW Treasury include a provision to alter the interest rate during the term of the loan then the Authority would potentially have a significant interest rate mismatch risk which would be beyond its capacity as a long term fixed rate lender to manage.

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

The Authority's exposure to interest rate risk is set out below.

	Carrying Amount \$000	Net Result \$000 -1%	Equity \$000	Net Result \$000 +1%	Equity \$000
2020					
Financial Assets					
Cash and cash equivalents	61,690	(617)	(617)	617	617
Receivables	3,895	-	-	-	-
Other financial assets (Fixed rate)	427,192	-	-	-	-
Other financial assets (Variable rate)	126,766	(1,268)	(1,268)	1,268	1,268
Financial Liabilities					
Payables	22,611	-	-	-	-
Borrowings (Fixed rate)	440,953	-	-	-	-
Borrowings (Variable rate)	126,116	(1,261)	(1,261)	1,261	1,261
2019					
Financial Assets					
Cash and cash equivalents	30,447	(304)	(304)	304	304
Receivables	5,279	-	-	-	-
Other financial assets (Fixed rate)	319,380	-	-	-	-
Other financial assets (Variable rate)	151,196	(1,512)	(1,512)	1,512	1,512
Financial Liabilities					
Payables	57,790	-	-	-	-
Borrowings (Fixed rate)	320,779	-	-	-	-
Borrowings (Variable rate)	156,401	(1,564)	(1,564)	1,564	1,564

(e) Fair value measurement

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the Authority's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Authority categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

21. Trust Funds

The Minister has directed the NSW Rural Assistance Authority act as the trustee for the remaining funds held from the Ovine Johne's Disease (OJD) Transaction Based Contribution Scheme. The remaining funds are to be applied for the benefit of the sheep industry.

	2020
	\$000
Trust funds at the beginning of the period	324
Add: Receipts	-
Less: Payments	(7)
Total remuneration	317
Breakdown of the Trust Balance	
Cash at the bank	317
Cash receivable from / (payable) to the Department	-
Total trust funds at the end of the period	317

22. RELATED PARTY DISCLOSURE

During the year, the Authority expensed \$221.6K (2019:\$166.3k) in respect of key management personnel services that were provided by a separate management entity, Department of Planning, Industry and Environment. Of the \$221.6K amount expensed \$75.9K was provided in-kind.

In addition, the Authority's directly incurred key management personnel compensation are as follows:

	2020	2019
	\$000	\$000
Short-term employee benefits:		
Salaries	14	26
Total remuneration	14	26

During the period, the Authority entered into transactions on arm's length terms and conditions with key management personnel, their close family members and controlled or jointly controlled entities thereof. The aggregate value of the material transactions and related outstanding balance with key management personnel for the year ended 30 June 2020 are as follows:

	2020		2019	
	\$000		\$000	
	Transaction value	Loan Balance	Transaction value	Loan Balance
Loans				
Farm Innovation Fund	20	418	5	208
Special Conservation Fund	5	22	4	27
Drought Assistance Fund	-	50		
	25	490	9	235
Grants				
Farm Business Skills	9		-	
Drought Transport Subsidy	1		-	
	10		-	

During the year, the Authority entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. These transactions (incurred in normal course of business) in aggregate are a significant portion of the Authority's revenue and expenses, and the nature of these significant transactions are detailed below:

FINANCIAL STATEMENTS 30 JUNE 2020

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22. RELATED PARTY DISCLOSURE (continued)

Entity	Nature of Transactions
Crown Finance Entity	Borrowing from Crown Finance Entity to assist various rural assistance programs and repayment of the same.
Crown Solicitor's Office	Provides legal services to the Authorities
Department of Planning, Industry & Environment	Provision of administrative, secretarial support and operational assistance. The Authority's recurrent and capital grants are received through Department of Planning, Industry and Environment.
Jobs for NSW Fund	The Authority act as loan administrator for Jobs for NSW Fund's job incentive loans. The loans are issued through the Authority.
NSW Self Insurance Corporation	Provides insurance services to the Authority.
Department of Communities and Justice	The Authority act as grants administrator in relation to emergency assistance payments.
Department of Regional NSW	Provision of administrative, secretarial support and operational assistance. The Authority's recurrent and capital grants are received through Department of Regional NSW.
Resilience NSW	The Authority act as grants administrator in relation to emergency assistance payments.

23. EVENTS AFTER THE REPORTING PERIOD

As at 30 June 2020, the Authority assessed the impact of COVID-19 on the fair value of its non-current physical and financial assets. These assets include land, buildings, receivables and other liabilities. This was based on historical information, expectation of macroeconomic conditions and outlook at the time of assessment. Given continued uncertainty of the COVID-19 factor, it is possible that post 30 June 2020 there may be some new evidence that impacts this fair value assessment materially.

As a result of NSW Government announcements, there have been recent changes to one RAA program as outlined below:

Special Disaster Grants and Loan for the NSW bushfires from August 2019 to February 2020: Closing date for applications has been extended to 15 December 2020 after balance date. The Authority recorded a provision for applications received prior to 30 June and not fully processed. It is possible applicants had completed clean up and repairs prior to 30 June and the application was not received by the Authority for the bushfire event due to the extension of the closing date.

There are no other events subsequent to the balance date that affect the financial information disclosed in these financial statements.

End of financial statements



RURAL ASSISTANCE AUTHORITY APPENDICES

- 01 Consultants
- 02 Cyber security
- 03 Disability inclusion
- 04 Human resources
- 05 Insurance
- 06 Internal audit and risk management attestation
- 07 Legal changes
- 08 Multicultural policies
- 09 Payment performance
- 10 Privacy and personal information
- 11 Public interest disclosure
- 12 Records and information management
- 13 Release of government information
- 14 Work health and safety
- 15 Workforce diversity
- 16 RAA program information

01 CONSULTANTS

The RAA engaged six consultants over or close to \$50,000 through 2019/20, for a total cost of \$810,000 as follows:

- Flowbuilders - Sidecar loan system upgrade configuration - \$106,000
- Accenture - Sidecar loan system upgrade build - \$90,000
- Athenian - Sidecar loan system upgrade data migration - \$241,000
- Boardroom Partners - Board review - \$49,000
- Bureau of Meteorology - Water Project - \$188,000
- Expedite - Sidecar loans system upgrade Project Management services - \$135,000

Consultancies < \$50,000 = Total \$1,000

02 CYBER SECURITY

The NSW Government cyber security policy establishes a range of obligations for agencies. For the RAA, these obligations were met by our parent agency, DPIE, until March 2020, and by DRNSW from 1 April 2020. Statements for cyber security from the agency perspective will be provided in the Annual Reports for those entities.

Given the number of online transactions undertaken by the RAA, we have reviewed our approach to cyber security, provided training to staff, and also have a specific audit planned for our approach to cyber security in 2020-2021.

There has been one instance of which we are aware, where an online transaction has been manipulated with the apparent intent of providing financial benefit to a third party. This incident was reported to the NSW Police and the bank involved, assisted in recovering funds.

03 DISABILITY INCLUSION

The RAA is not a public authority bound by the requirement to have a Disability Inclusion Action Plan (DIAP). The RAA's approach to disability is considered as part of DPIE's DIAP (to March 2020) and DRNSW's DIAP (from 1 April 2020).

The RAA aims to be an inclusive employer and accessible to the public.

We ensure that web material meets online accessibility standards to optimise access for all users, including the vision impaired.

No staff have required adjustment to their workplace in regards to a permanent disability however it is known that staff do not always choose to declare their status as a person with a disability. There can be a perception or fear of stigma about disability that means the RAA could be under-reporting the statistics. Disability inclusion forms part of the induction program for RAA staff.

04 HUMAN RESOURCES

The RAA's overarching approach to human resources in terms of recruitment, retention, performance management and release of staff, is managed by the overarching Department, in accordance with a partnership between the Department and the RAA, and also in line with the Government Sector Employment Act 2013. The RAA accepts assistance and advice from the Department but must undertake most HR activities itself.

Under the Administrative Arrangements (Administrative Changes – Regional NSW and Independent Planning Commission) Order 2020, persons previously employed by DPIE, were transferred to DRNSW from 2 April 2020.



STAFF NUMBERS

	2017	2018	2019	2020
Senior executive				
Senior Officers	6	5	5	7
Number filled by women	3	4	4	4
Administrative and clerical				
Assessment staff incl. managers	10	11	22	22
Finance, administration and other	8	11	17	23
TOTAL	24	27	44	52

Table 1: Staff numbers by category for current year compared with three previous years (fixed term and ongoing roles only).

*From 2017/18 employee numbers included the Chief Executive. Previous years did not.

DIVERSITY WITHIN LEVELS

Remuneration level of substantive position	2017/18			2018/19			2019/20		
	Total Staff	Female	Nesb ⁽¹⁾	Total Staff	Female	Nesb ⁽¹⁾	Total Staff	Female	Nesb ⁽¹⁾
\$0 - \$44,683	0	0	0	0	0	0	0	0	0
\$44,683 - \$58,687	0	0	0	0	0	0	0	0	0
\$58,687 - \$63,801	0	0	0	0	0	0	0	0	0
\$63,801 - \$79,891	14	10	0	27	17	1	27	23	1
\$79,891 - \$110,560	8	7	0	9	7	0	13	12	0
\$110,560 - \$134,202	3	3	0	4	4	0	6	6	0
\$134,202 > (Non SE)	0	0	0	2	2	0	5	3	0
\$134,202 > (SE)	2	1	0	2	1	-	1	0	0
Total	27	21	0	44	31	1	52	44	1

Table2: Staff numbers by category for current year compared with three previous years (fixed term and ongoing roles only).

*From 2017/18 employee numbers included the Chief Executive. Previous years did not.

⁽¹⁾ Non-English speaking background

05 INSURANCE

The RAA participates in an insurance scheme administered on behalf of the NSW Government by GIO and Allianz to include insurance cover for workers' compensation, motor vehicles, public liability, property and miscellaneous insurance.

The RAA's 2019–20 workers' compensation premium is included in the DRNSW premium. There were no workers' compensation claims received in 2019–20.

06 INTERNAL AUDIT AND RISK MANAGEMENT ATTESTATION

Internal Audit and Risk Management Attestation Statement for the 2019-2020 Financial Year for the Rural Assistance Authority

I, Sean O'Connell am of the opinion that the NSW Rural Assistance Authority has internal audit and risk management processes in operation that are, excluding the exceptions or transitional arrangements described below, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- Chair, Kerry Adby, 1 July 2019 to 30 June 2020
- Member Adam Boyton, 1 July 2019 to 30 June 2020
- Member Barbara Clark, 1 July 2019 to 30 June 2020




07 LEGAL CHANGES

There were no legal changes to the RAA's governing Act, the *Rural Assistance Act 1989*, the *Rural Assistance Regulations 2016*, or the *Farm Debt Mediation Act 1994*, in 2019-20.

08 MULTICULTURAL POLICIES

In providing services to mostly farmers, the RAA caters to a sub-group of the broader population. The ABS Census of Population and Housing in 2011 indicated that the farming population tends to be less diverse than the rest of the Australian population. The proportion of Australian farmers born overseas was sitting at 10% at that time. While it seems likely that diversity in farming has increased since then, the evidence would suggest that our customers remain most likely to have been born in Australia.

The RAA aims to make assistance available and accessible for all members of the farming community and refers customers to Multicultural NSW if language services for interpreting or translating information are required.

The RAA has a staffing profile that likely matches our customer base and includes some members of staff who were born in another country or who have a cultural heritage going back to another country. It is known that staff do not always choose to declare their cultural heritage when first joining the organisation.

The RAA started the 2019-20 financial year within the DPIE cluster and was included in that Department's overarching multicultural policy and planning. Having moved to DRNSW in March 2020, the RAA will now be covered by DRNSW's approach and this will be reflected in the DRNSW Annual Report.

09 PAYMENT PERFORMANCE

PAYMENT PERFORMANCE FOR ALL SUPPLIERS

There were no instances of penalty interest paid or incurred during 2019-20.

Measure	Sep (Q3)	Dec (Q4)	Mar (Q1)	June (Q2)
Number of accounts due for payment	174	159	208	245
Number of accounts paid on time	166	152	183	228
Percentage of accounts paid on time	95.4%	95.6%	88.0%	93.1%
Dollar amount of accounts for payment	\$26,472,951.00	\$17,965,570.92	\$22,380,802.78	\$19,782,209.70
Dollar amount of accounts paid on time	\$26,387,476.81	\$17,375,967.25	\$22,214,629.50	\$19,551,128.97
Percentage of accounts paid on time	99.7%	96.7%	99.3%	98.8%
Interest paid on overdue accounts	0	0	0	0

Table 1: Payment performance for all suppliers

The majority of invoices were paid on time for all suppliers. The first quarter of 2020 showed a drop below 90%. A review shows that there were four invoices outstanding at 30-60 days, and four invoices outstanding at 60-90 days.

PAYMENT PERFORMANCE FOR SMALL BUSINESSES

Quarter	Current	Dec (Q4)	Mar (Q1)	June (Q2)
Sep (Q3)	\$26,387,476.81	\$70,809.18	\$0.00	\$14,665.01
Dec (Q4)	\$17,375,967.25	\$37,730.00	\$551,873.67	\$7,014.05
Mar (Q1)	\$22,214,629.50	\$76,849.88	\$29,984.00	\$891.22
June (Q2)	\$19,551,128.97	\$159,198.28	\$7,313.90	\$768.55

Table 2: Aged analysis at the end of each quarter - all suppliers

There were no instances of penalty interest paid or incurred during 2019-20. A small business is a business with 20 or fewer FTEs including sole traders and start-ups.

Payment performance for small businesses was comparatively poor. Partly this is because the number of invoices paid to small businesses was quite low, and therefore a late payment represents a higher proportion of a smaller figure. Nonetheless, late payment to small businesses in particular is undesirable and the RAA has reviewed procedures and reminded staff of the importance of paying suppliers on time, particularly small businesses.

AGED ANALYSIS AT THE END OF EACH QUARTER

All suppliers

Measure	Sep (Q3)	Dec (Q4)	Mar (Q1)	June (Q2)
Number of accounts due for payment	11	7	9	13
Number of accounts paid on time	9	6	3	6
Percentage of accounts paid on time (number)	81.8%	85.7%	33.3%	46.2%
Dollar amount of accounts for payment	\$64,607.55	\$88,264.69	\$41,335.06	\$101,116.62
Dollar amount of accounts paid on time	\$46,838.34	\$50,534.69	\$26,374.93	\$76,564.85
Percentage of accounts paid on time (\$)	72.5%	57.3%	63.8%	75.7%
Interest paid on overdue accounts	0	0	0	0

Table 3: Payment performance for small businesses

Small business suppliers

Quarter	Current	Dec (Q4)	Mar (Q1)	June (Q2)
Sep (Q3)	\$46,838.34	\$3,104.20	\$0.00	\$14,665.01
Dec (Q4)	\$50,534.69	\$37,730.00	\$0.00	\$0.00
Mar (Q1)	\$26,374.93	\$3,933.73	\$7,918.90	\$0.00
June (Q2)	\$76,564.85	\$24,551.77	\$0.00	\$0.00

Table 4: Aged analysis at the end of each quarter - small businesses

While late payment is never desirable, analysis shows that the largest invoices outstanding for the longest periods of time, were for internal government stakeholders.

10 PRIVACY AND PERSONAL INFORMATION

The RAA holds significant personal information of our customers and is committed to protecting individual privacy and managing that personal information in accordance with the *Privacy and Personal Information Protection Act 1998*.

In managing private and personal information, the RAA has been guided by the policies, procedures and reporting requirements of its overarching Departments - the NSW Department of Planning, Industry & Environment to March 2020 and then the NSW Department of Regional NSW from April 2020 to 30 June 2020.

11 PUBLIC INTEREST DISCLOSURE

The RAA was part of DPIE from 1 July 2019 to April 2020, and part of DRNSW from April 2020. Statistics related to Public Interest Disclosures are included in the consolidated annual report for both of those entities.

12 RECORDS AND INFORMATION MANAGEMENT

The RAA's electronic records are managed by its overarching department, under a Partnership agreement. That management includes support and advice, but the RAA must monitor its own adherence to good record management standards and ensure that security risks are managed effectively. The RAA has previously run an audit of record management and accepted recommendations from that audit.

Records and information held by the RAA are managed in accordance with the *State Records Act 1998* and in compliance with the standards put in place by the State Records Authority of NSW (State Records).

This includes maintenance of existing records and information and destruction of records and information in accordance with the RAA's General Disposal Authority.

During 2019-20 the RAA continued conversion of physical (paper) client files to digital records in compliance with the Standard on Records Management, which was issued by State Records on 2 March 2015.

This project involved new applications received being managed as digital files. All active client files are progressively scanned and saved to the RAA's Electronic Document Records Management System (EDRMS). The physical files are archived and together with inactive physical files, which have already been archived, are held until they are destroyed in accordance with the RAA's General Disposal Authority.

As files are converted to digital records, all new documentation received or generated by the RAA is saved to the EDRMS. This includes applications for assistance together with supporting documentation.

The RAA's Manager Policy & Governance has a formal role in relation to records management as "Special Records Officer".

13 RELEASE OF GOVERNMENT INFORMATION

Under Schedule 3 of the Government Information (Public Access) Regulation 2018, the RAA is a subsidiary agency for the purpose of the Government Information (Public Access) Act 2009 (GIPA Act). Any formal applications for information from RAA are dealt with by the Department of Regional NSW and are included in the Department's statistical information. The RAA supports the principles of the *Government Information (Public Access) Act 2009* (the GIPA Act) by operating in an open, transparent and accountable manner while protecting the privacy of clients and staff.

The RAA is committed to releasing as much information proactively, as reasonable, and provides published information on the RAA website (www.raa.nsw.gov.au) in accordance with the legislation.

14 WORK HEALTH AND SAFETY

During 2019-20, there were two incidents and 0 injuries. Staff have received training about the importance of logging psychosocial events such as difficult or suicidal callers/ depression or anxiety as a result of work situations, as incidents. It is likely that incidents and injuries will rise in 2020/2021 as a result of this cultural change. WH&S is discussed more fully in the Our People section of this document.

15 WORKFORCE DIVERSITY

DIVERSITY TARGETS AND TRENDS

The RAA is based in Orange and draws its labour force primarily from the region. Aboriginal people make up 6.3% of the broader population. The Orange region has a higher proportion of residents whose country of birth is Australia (83.5%), compared with NSW (65.5%) and Australia (66.7%).

Workforce diversity group	Benchmark/target	2017	2018	2019	2020
Women	50%	62.5%	77.8%	68.0%	82.0%
Aboriginal people and Torres Strait Islanders	2.60%	0	0	0	1.9
People whose first language was not English	19%	4.2%	0	0.02%	1.9%
People with a disability	N/A	0	0	0.02%	3.8%
People with a disability requiring work related adjustment	1.50%	0	0	0	0

Table 5: Trends in the representation of workforce diversity groups (fixed term and ongoing roles only)

*All values indicate the percentage of total staff

16 RAA PROGRAM INFORMATION

RAA LOANS

	Drought Assistance Fund	Farm Innovation Fund	Seafood Innovation Fund	Forest Industries Innovation Fund
Purpose	<ul style="list-style-type: none"> - transport of stock, fodder, water - fodder & water infrastructure - banking of genetic material - activities that promote profitability and resilience 	To meet the cost of carrying out permanent capital works that will have a significant beneficial impact on the land, long term profitability of the business and address adverse seasonal conditions.	Permanent capital works for fishers and aquaculture farmers that will: <ul style="list-style-type: none"> - improve assets and infrastructure - identify and address risks - help build resilience to changes in seasonal conditions - ensure long term productivity and sustainable use of the marine and land-based environment 	Improve profitability Drive new investment Position the industry to adjust to change and new opportunities
Loan amount	Up to \$50,000	Up to \$1,000,000	Up to \$500,000	Up to \$3,000,000
Interest rate	Interest free	2.5% but interest has been waived until 31/12/2020	2.5%	2.5%
Loan term	7 years with first 2 years repayment free	Up to 20 years	Up to 20 years	UP to 20 years

Table 6: Loans available in 2019/20

DISASTER RECOVERY LOANS

All subject to declaration of a Natural Disaster

	Special Disaster Loans – Bushfire Working Capital*	Special Disaster Loans – Bushfire Recovery*	Primary Producers & Small Business	Not for profits	Sporting Clubs
Purpose	Immediate funds for essential working expenses	Repairing, replacing, replanting damaged equipment, buildings, fences, livestock.	Essential working capital	Restoration of essential facilities	Restoration of essential facilities
Loan amount	Up to \$50,000	Up to \$500,000	Up to \$130,000	Up to \$25,000	Up to \$10,000
Interest rate	0.45%	0.45%	0.45%	0.45%	0.45%
Loan term	5 years with first 2 years repayment and interest free	Up to 10 years	Up to 10 years with first 2 years repayment free	Up to 5 years	Up to 5 years

Table 7: Disaster Recovery Loans available in 2019/20

*Special Disaster Loans were offered as part of Disaster Recovery Funding Arrangements (DRFA), "Category D" for the first time in NSW. Standard concessional loans are "Category B" and are \$130,000 for primary producers

RAA SUBSIDIES

All subject to declaration of a Natural Disaster

	Emergency Drought Transport Subsidy	Emergency Water Infrastructure Rebate	Animal Welfare Transport Subsidy	Donated Fodder Transport Subsidy	Natural Disaster Transport Subsidy
Purpose	Transport of: <ul style="list-style-type: none"> - stock to agistment - stock to sale/ slaughter - fodder - stock & domestic drinking water - farm chemicals, fertiliser and seed, to farms. 	Purchase and installation of on-farm water infrastructure that addresses animal welfare needs and improves resilience to drought.	Transport of stock where: <ul style="list-style-type: none"> - there is little or no feed/water - animals leave the enterprise permanently - the enterprise demonstrates a significant financial need. 	Transport of donated fodder to a central location within NSW for the benefit of three or more primary producers with livestock, in the event of identified need, relating to drought or following a natural disaster.	Transporting <ul style="list-style-type: none"> - fodder and/or water - stock to sale or slaughter - stock to/from agistment.
Amount	50% of cost of freight up to \$50,000	25% of the cost of purchase, up to \$25,000	50% of the total freight cost to a maximum of \$20,000	Up to \$5/km to a maximum 1,500 kms.	Up to 50% of freight costs to maximum \$15,000

Table 8: Subsidies available in 2019/20

The RAA also offered a subsidy for Farm Business Skills (FBS) training. The subsidy was available for training in the areas of risk management, financial management, business management and succession planning. The FBS provided \$5,000 toward the costs of training for a first individual, with an additional \$1,000 for a maximum of four people for a total of \$9,000 per farm business.

2019-20

RURAL ASSISTANCE AUTHORITY ANNUAL REPORT



Work for the development of this report was undertaken in-house with editing support from Big Blue Desk at a cost of \$2,100.00

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