

Annual Report

2022-2023



NSW Rural Assistance Authority



The Hon. Tara Moriarty, MLC
Minister for Agriculture
52 Martin Place SYDNEY NSW 2000

Dear Minister,

NSW Rural Assistance Authority Annual Report 2022-23

I take pleasure in presenting, on behalf of the members of the RAA Advisory Board, the 2022-23 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,

A handwritten signature in black ink, appearing to read "Darren Budworth".

Darren Budworth
Chief Executive Officer

03/10/2023



Acknowledgement of Country

The NSW Rural Assistance Authority stands on Country that always was and always will be Aboriginal land.

From creation, all generations have been caring for Country and sharing with each other, surviving and living in harmony as one. Today, we show our respect by acknowledging the ancient protocols and traditions of the First Nations peoples. We recognise the elders for continuing dreamtime lore, protecting the knowledge of all things sacred and

spiritual, sustaining all living species that called this place home, and preserving the oldest living culture in the world.

We acknowledge the Traditional Custodians of the land and waters, and we pay respect to Elders past, present and emerging. We are committed to providing places in which Aboriginal people are included socially, culturally and economically through thoughtful and collaborative approaches to our work.



Executive summary

In 2022-23, the NSW Rural Assistance Authority (RAA) approved over \$1 billion in funding to promote innovation and drive the rapid recovery of farmers and the communities they support.

2022-23 was another challenging year for the state's agriculture sector.

Despite the widespread flood events and biosecurity incursions, the resilience and tenacity of farmers and regional communities was evident, with the RAA playing a key role in supporting rapid recovery.

Over the year, the RAA managed a diverse and large volume of programs.

This included natural disaster assistance, industry support for biosecurity incursions as well as the RAA's traditional innovation product offerings.

There were record application and approval numbers in 2022-23.

28,837 applications were received across all programs representing an increase of 175% on the prior year. Approved funding increased by 185% year-on-year, surpassing the \$1 billion ceiling for the first time.

Our staff are the heart of the RAA and the reason for the exceptional customer experience.

In a NSW government-wide survey, the RAA team was identified as one of the most engaged staff groups in the NSW Public Service (79% staff engagement) with employees indicating a firm belief that the RAA's products and services meet the needs of communities, people and businesses in NSW (87% customer service).

Exceptional customer service continues to be of utmost importance at the RAA.

92% of customers surveyed in the period reported a positive experience. This achievement is further supported by direct feedback received from customers, which we believe speaks louder than any data:

"We thoroughly recommend, when in need, to approach the RAA for funding. They're an absolute godsend."

"The flow on impacts of the funding have been great for the community because that's where most of the funding gets reinvested."

"The funding we accessed has definitely made our farm more productive... I'd highly recommend reaching out to see how they can help you."

Soon we will develop our new Strategic Plan to set the direction for the RAA over the next three years.

This process will involve consultation with our key partners in government, industry and, most importantly, our customers - the 40,000 farmers who deliver the quality food and fibre that the state depends on.



Report from the Chair of the RAA Advisory Board

A major undertaking in 2022-23 was the deliberate realignment of the Board's focus and function, transitioning to operate as a strategic Advisory Board. This matches the role of the Board as defined in the *Rural Assistance Act 1989*. The intention was to maximise the customer value proposition and support to government through harnessing a diverse stakeholder group providing strategic advice to the RAA. This change was considered necessary to enable the Advisory Board to better respond to the ever-changing needs of NSW's agriculture sector and rural communities and increase efficiency of operations. Core governance responsibilities have always been and will continue to be met by the RAA Audit and Risk Committee. As a result of the transition, the Advisory Board is now better equipped to provide informed advice regarding government assistance and programs and the extent of the RAA's involvement in these going forward.

To meet the evolving needs of our customers, the RAA reviews and refines its systems, processes and program offerings on an ongoing basis. The Advisory Board recognises the RAA's pivotal role and the importance of collaborating and partnering with groups within the Department of Primary Industries (DPI) and the Department of Regional NSW (DRNSW). A key focus area for the Advisory Board is advice to further increase the scope and capacity of collaborative activities within the DRNSW. To ensure our farmers and the communities they support are well positioned for sustainable success, Advisory Board members provide the RAA with advice regarding emerging challenges that will impact our industry.

In October 2022, we welcomed Darren Budworth to the role of Chief Executive Officer (CEO) following the departure of Sean O'Connell. On behalf of the Advisory Board, I would like to thank Sean for the tremendous work undertaken and the outcomes achieved over the three years he led the RAA. In addition, I'd like to pass on a special thank you to the management team for supporting both the Advisory Board and Darren during the CEO transition. We are very pleased that Darren has joined us as CEO, and we're looking forward to building on the success of the RAA and unlocking further opportunities for farmers and rural communities in NSW.

Andrew Rice
Chair



Report from the Chief Executive Officer

It has been a privilege to take on the role of CEO at the RAA since October 2022. During the 2022-23 financial year, the RAA has concurrently administered 20 assistance and industry support programs, approving over \$1 billion in funding across all programs-more than \$110 million in loans and \$920 million in grants and subsidies.

Our work continues to unlock and support an abundance of opportunities for primary industries in NSW, delivering products that not only drive innovation and adoption but also ensure our farmers and their communities are supported in recovery from adverse events.

Throughout the year, the RAA dealt with over 28,000 customer applications, with a customer satisfaction rating of 92% across all applicants. The funding distributed by the RAA and the economic stimulus it provides goes well beyond the farm gate and injects cash into local communities, helping them to prosper and recover faster in times of need.

The number of applications and amount of funds disbursed is staggering, but perhaps the most significant contribution the RAA makes is one that cannot be measured. Our customers often come to us understandably quite distressed and emotional. In these times, I'm continually astounded by the care and compassion

of our team. We recognise that a key strength of the RAA is the professionalism and dedication of our staff. Throughout the year, our staff handled more than 47,000 calls and 39,000 emails from customers, providing them with direction and advice, a friendly voice, and some reassurance in challenging times.

Darren Budworth
RAA CEO

RAA performance highlights



\$1 billion

Funding approved across all programs



28,837

Applications received across all programs



\$755.7m

Funding approved for Special Disaster Grants



\$43.4m

Funding approved for Rural Landholder Grants



\$18.9m

Funding approved for Natural Disaster Relief Loans



\$13.9m

Funding approved for people affected by Varroa Mite



\$85.0m

Funding approved for Farm Innovation Fund loans



\$2.3m

Funding approved for Seafood Innovation Fund loans



\$5.2m

Funding approved for Forestry Industry Innovation Fund loans



47,685

Phone calls to the RAA's 1800 number



1.2m

Website page views



39,517

Emails received from RAA customers

“

“Our work continues to unlock and support an abundance of opportunities for primary industries in NSW, delivering products that not only drive innovation and adoption but also ensure our farmers and their communities are supported in recovery from adverse events.”

Darren Budworth, RAA CEO



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Overview

As the **single gateway** for financial assistance for NSW primary producers, the RAA delivers products and programs that incentivise **resilience, innovation and productivity improvements** in primary production.

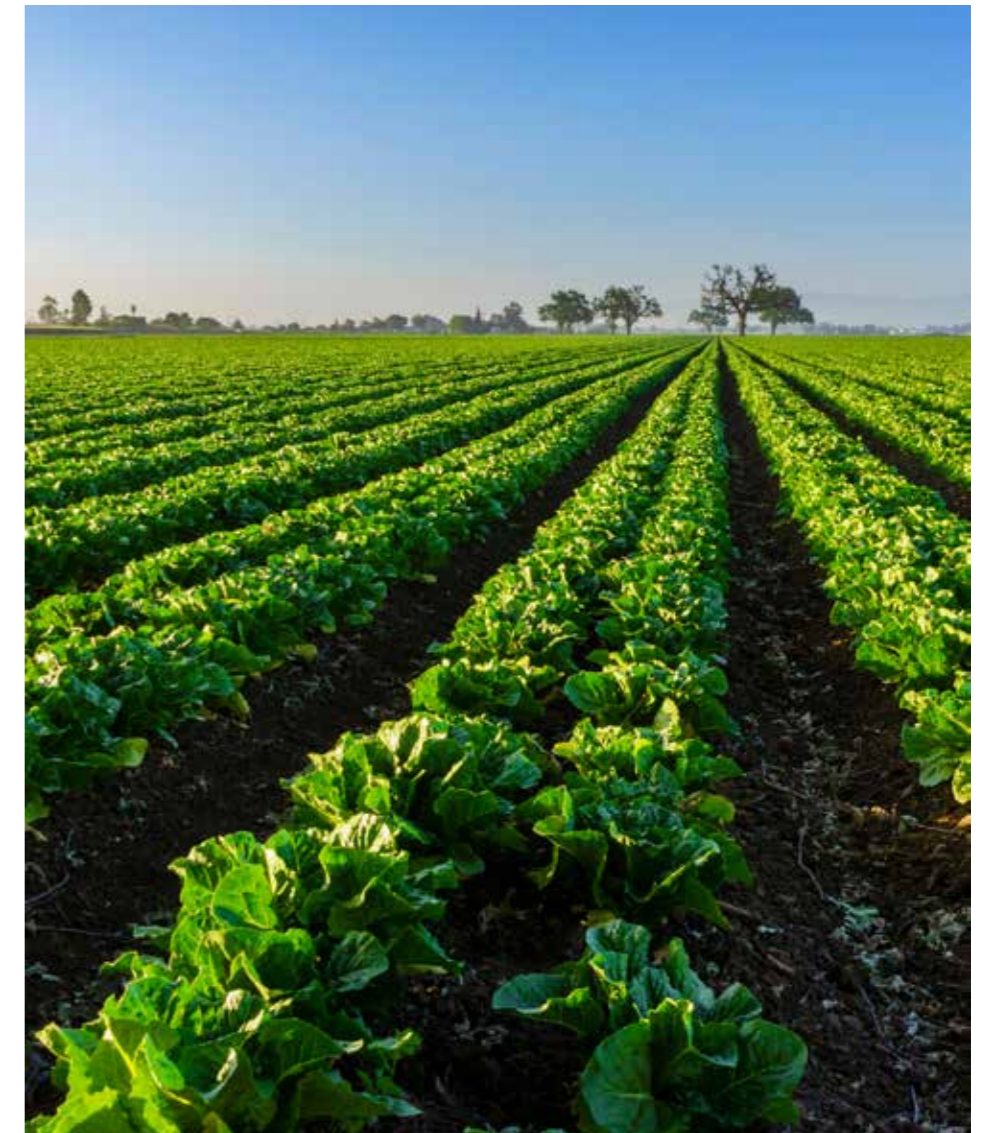
Aim and objectives

The RAA is focussed on supporting the state's farm businesses and communities to prepare for, respond to and recover from adverse events that affect their business and livelihoods. This is achieved through the administration of government financial assistance programs, including loans and grants, on behalf of both the NSW and Commonwealth governments.

For more than 30 years, the RAA has helped farm businesses and rural communities become more resilient, self-reliant and sustainable through programs such as the Farm Innovation Fund and natural disaster recovery programs.

We also provide insight and advice to the Minister for Agriculture and play a proactive role in contributing to farming and rural policies.

Our long-term outcome is that farming businesses and other rural industries are more prepared, productive and resilient due to the efficient provision of the right assistance, at the right time.





Charter

The RAA was established by the *Rural Assistance Act 1989 (NSW)* (the Act). The RAA is a statutory body under the *Public Finance and Audit Act 1983 (NSW)*, and the CEO 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 State and Commonwealth funding. While the rural sector is its core client, the RAA is also usually responsible for administering loan programs for small businesses and not-for-profits that have suffered loss or damage due to natural disaster.

Figure 1.1 (top of page): RAA Advisory Board members (L-R) Joanna Balcomb, Andrew Rice, Darren Budworth, Derek Schoen, Charlie Blomfield and Louise Clarke (Absent: Elizabeth Lyne).

Our Advisory Board

Role of the Advisory Board

The role of the Advisory Board is to provide advice, primarily to help the CEO address strategic priorities, using their experience and expertise to help the RAA achieve positive outcomes.

Typical activities of the Advisory Board include:



Attendance and participation at Advisory Board meetings



Debating and supplying high quality advice to support decision-making



Providing objective advice and contributions to strategic plans and value creation



Helping with networking and promoting, and participating in open, frank, and free-flowing discussions



Focus on big picture strategic issues, industry and market trends



Working with the senior management team as project sponsors when required



Giving fresh insights and views on emerging or unfamiliar issues



Responding to ideas from the decision-makers

Functions of the Advisory Board

Under Section 10 of the *Rural Assistance Act 1989*, the Advisory Board is to:

- advise the Minister on the provision of assistance under the Act
- report to the Minister at least annually on the following:
 - the effectiveness of programs of assistance implemented under the Act in meeting the Government's objectives for those programs
 - the performance of the RAA in the delivery of assistance under programs implemented or administered under the Act
- determine the RAA's general policies, including by setting guidelines for implementing particular programs of assistance under the Act.

This annual report contributes to the Advisory Board's function to report to the Minister annually.

The Advisory Board consists of the CEO and six part-time members (including the Chair) who are appointed by the Minister for Agriculture 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 Advisory Board to carry out its functions.

The Chair of the Advisory Board and the five other part-time 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, Advisory Board members disclose any conflicts of interest with their role or the matters under discussion in the Advisory Board meeting.

An appointed part-time member holds office for such period (not exceeding three years) as may be specified in the instrument of appointment but is eligible (if otherwise qualified) for re-appointment.

Members of the Advisory Board

Current members:

- Darren Budworth, RAA CEO
- Andrew Rice, Chair
- Joanna Balcomb, Member
- Charlie Blomfield, Member
- Elizabeth Lyne, Member
- Louise Clarke, Member
- Derek Schoen, Member

Former members:

- Sean O'Connell, former CEO of the RAA (resigned effective 7 October 2022)
- Lisa Minogue, former Member (term ended 31 December 2022)

Meetings of the Advisory Board

The Advisory Board met eight times during the 2022-23 financial year, with four of these meetings in person.

Further information on the Board can be found on the RAA website at: www.raa.nsw.gov.au/about-us/board



Table 1.1: Attendance at RAA Advisory Board meetings during 2022-23.

Meeting date	Andrew Rice (Chair)	Joanna Balcomb (Member)	Charlie Blomfield (Member)	Elizabeth Lyne (Member)	Lisa Minogue (Member)	Derek Schoen (Member)	Louise Clarke (Member)	Sean O'Connell (CEO)	Darren Budworth (CEO)
19 July 2022 (Teleconference)	●	●		●	●	●	N/A	●	N/A
13 September 2022 (Quarterly meeting)	●	●	●	●	●	●	N/A	●	N/A
18 October 2022 (Teleconference)	●	●	●	●	●	●	N/A	N/A	●
8 November 2022 (Quarterly meeting)	●	●		●	●	●	N/A	N/A	●
15 February 2023 (Teleconference)	●	●	●	●	N/A	●	●	N/A	●
14-15 May 2023 (Quarterly meeting)	●	●	●	●	N/A	●	●	N/A	●
3 May 2023 (Teleconference)	●	●	●	●	N/A	●	●	N/A	●
14 June 2023 (Quarterly meeting)	●	●	●	●	N/A	●	●	N/A	●

Management and structure

The RAA management team, led by the CEO, provides the leadership to deliver the RAA's programs effectively and responsibly in line with our strategic direction, the NSW Government's goals, and our Advisory Board's guidance.

Our departmental structure

The RAA is a Statutory Authority under the Act and is accountable to the Minister for Agriculture through the Department of Primary Industries (DPI). The RAA also reports to the RAA Board. The CEO is a statutory senior executive employed by the public service and reports to the Deputy Director General Infrastructure, Investment and Business Excellence (IIBE), Adrian Zammit, within the DPI. Adrian Zammit reports to the Director General of DPI, Scott Hansen,

who reports to the Secretary of the Department of Regional NSW (DRNSW), Rebecca Fox, who reports to the Minister for Agriculture, the Hon. Tara Moriarty. The Minister for Agriculture is responsible for our governing legislation, the *Rural Assistance Act 1989*, and provides direction and control of activities including the programs administered, and the appointment of the RAA Advisory Board.

Figure 1.2 (top of page): The RAA management team of (L-R) Darren Budworth, Carlie Darling, Justine Dimond, Christin Turnbull, Shae Hamson, Tim Gippel and Adam Tomlinson

Our management team



Chief Executive Officer
Darren Budworth
 BCom, CPA, MTax, GAICD

Darren is the CEO of the RAA and serves as an Executive Director on the RAA Advisory Board.

Darren has over 10 years' experience in senior executive roles in Australia's largest rural research and development provider, the DPI, working across agriculture, biosecurity, food safety, fisheries, policy and cabinet, business

performance, industry and economic policy analysis and finance.

Darren's experience combined with his diverse technical skills, lends itself to a unique perspective in developing and delivering targeted policy and programs that maximise outcomes for rural communities.



Manager Strategic Programs
Carlie Darling, PhD Neuroscience, BPsyc(Hons)

Carlie joined the RAA in November 2022 with a broad range of knowledge and experience gained from various roles across DPI, including large scale infrastructure program delivery, project and program management and strategy. Carlie leads a team focusing on program strategy and communications, ensuring RAA activities are delivered in line with the DPI's strategic plan and that our customers receive timely, relevant and high-quality communications.



Manager Operations and Systems
Justine Dimond, BMgmt

Justine joined the RAA in October 2019. Before that, she was a managing partner with the NAB, managing a team of agribusiness and commercial lenders. Justine leads a team that focuses on all activities related to the 'after approval' operations of program administration, including loan documentation, loan finalisation and arrears management. Justine also leads project management for both new and existing programs, including the system build, implementation and process improvements of RAA programs.



Manager Strategic Finance
Shae Hamson, BEc (Hons I), MTax, CA

Shae joined the RAA in March 2023, bringing a wealth of commercial experience. Her most recent role before joining the RAA was as Chief Financial Officer of a multi-site gold mining company, and prior to this, she worked with small-medium businesses and family groups at KPMG. Shae leads the RAA's finance team to deliver accurate, timely financial reporting and partners with the management team to formulate and deliver on the RAA's strategic objectives.



Manager Customers and Programs
Adam Tomlinson, BAPPSC, GCAGRIBUS

Raised on a mixed cropping and livestock property near Moree in north-western NSW, Adam obtained a Bachelor in Applied Science Crops and Rangelands before gaining his postgraduate qualifications in agribusiness. He has worked in the agribusiness sector for over 20 years. During this time, he has held senior positions in banking and agricultural research and advisory roles within Australia and internationally. Adam leads a team that focuses on everything related to the 'front end' of program administration including connecting with our customers and stakeholders, accepting and assessing applications and submitting payment applications.



Manager Risk, Policy and Governance
Christin Turnbull, BA(Pol/HR)

Christin joined the RAA in 2019 following a 14-year career in superannuation, including senior leadership roles across administration, insurance, stakeholder engagement and project management. During her time with the RAA, Christin has held several roles across both operational and strategic functions. The Risk, Policy and Governance team advises the RAA's CEO and Advisory Board, Ministers and Department on financial assistance programs. Christin predominantly manages the risk management, fraud prevention, internal audit and assurance functions of the team.
Christin job shares the Manager Risk, Policy and Governance role with Tim Gippel.



Manager Risk, Policy and Governance
Tim Gippel, BNatRes(Hons 1), Grad Cert Public Sector Mgmt, FGIA

Tim joined the RAA in January 2020 with nearly 20 years in the NSW public sector managing policy for DPI Fisheries and governance and risk for various departments in the Water, Lands and Industry clusters. The Risk, Policy and Governance team advises the RAA's CEO and Advisory Board, Ministers and Department on financial assistance programs. Tim predominantly manages the Farm Debt Mediation Unit and the team's policy and governance functions.
Tim job shares the Manager Risk, Policy and Governance role with Christin Turnbull.

“

“Businesses often forget about the culture, and ultimately, they suffer for it because you can't deliver great customer service with unhappy employees. The RAA management team see culture as a journey, not a destination, and that is the RAA difference.”

Darren Budworth, RAA CEO



Our people

On 30 June 2023, the RAA had 27 ongoing staff, 65 fixed term and 41 staff who were casual, contingent or on secondment, with a total of 133 staff. The RAA operated with a total funding expenditure of \$40.9m and a loan book of \$655.3m.



People Matter Employee Survey

The NSW People Matter Employee Survey (PMES) is open to all NSW public sector employees annually. The survey provides an opportunity for almost 400,000 people, including RAA staff, to have a say about their workplace and to help make the public sector a better place to work. Below is a snapshot of the RAA's PMES results for 2022-23.



87% Customer Service

Our staff believe the RAA's products and services meet the needs of communities, people and businesses in NSW.



82% Wellbeing

Our staff say that they feel satisfaction and fulfillment in work and life.



80% Job Satisfaction

Our staff feel that their job gives them a sense of personal accomplishment and satisfaction.



79% Employee Engagement

Our staff feel a positive connection to the RAA and say they are proud to be a part of the organisation.

Our customers

The RAA is committed to supporting farm businesses and communities to prepare for, respond to and recover from seasonal challenges. While processing record numbers of grants and loans, the RAA has maintained high customer satisfaction throughout the 2022-23 financial year.

Tom and Judy Robertson, chestnut farmers from Tumbarumba

Tom and Judy had tried their hand at all sorts of farming activities before they set their sights on growing and producing chestnuts. In 2005, they began planting their now nine-hectare chestnut orchard on their farm near Tumbarumba, in the pristine Snowy Valleys region. Along the

journey, Tom and Judy accessed both grants and loans from the RAA, to help grow their operation and also support their recovery following the devastating Black Summer Bushfires. Tom said of his experience with the RAA, "We thoroughly recommend, when in need, to approach the RAA for funding. They're an absolute godsend."



Tim and Katrina Myers, avocado farmers from Barham

On their family farm on the banks of the Murray River, near Barham in southern NSW, you will find Tim and Katrina, a couple who are not afraid to think outside the box. Tim and Katrina grow avocados, an uncommon choice of fruit for their location and climate, but they've been able to overcome their challenges and future-proof their farming operation by installing a world-first, retractable-roof greenhouse to protect their

avocado trees. Tim said they hoped the greenhouse would allow for an increase in the quantity and quality of avocado production, and also use less water in the process. "We've seen an amazing reduction in water use," said Tim. "We were hoping to reduce it by 20 or 30%, but we've reduced the irrigation water usage in here by 70%." This project was made possible using a Farm Innovation Fund loan that Tim and Katrina accessed through the RAA.

Figure 1.3 (over page): Tom and Judy Robertson in their chestnut processing facility.

Figures 1.4, 1.5 and 1.6 (above): Tim and Katrina Myers with their retractable roof greenhouse and abundant avocado trees under roof.

Justin and Libby Walsh, dairy farmers from Jaspers Brush

Justin and Libby operate a dairy farm on the south coast of NSW, in Jaspers Brush, near Nowra. In 2016, they officially took the reins of the family farm from Justin's parents, and since then have set about expanding the operation and overcoming the many hurdles they've faced along the way. In the last five years, Justin and Libby have experienced drought and, in contrast, extremely wet conditions on their farm. By accessing both grants and loans through the RAA, they've been able to not only recover from natural disasters but have also been able to 'change their business for the better', ultimately becoming more resilient, sustainable and viable. Justin said, "The flow on impacts of the funding have been great for the community because that's where most of the funding gets reinvested."



Tom and Belinda Ledingham, cattle and cropping farmers from Cobbadah

Tom and Belinda operate a cattle breeding and trading operation and also grow, stock and sell pasture seed on their farm in Cobbadah, in the NSW North West Slopes. Over the years, they've accessed various financial assistance products through the RAA. "Belinda and I found a light during a very bleak time, using this funding," said Tom. "On top of the Farm Innovation Fund loan, we've also received two Special Disaster Grants for flood damage." The grants have allowed Tom and Belinda to conduct repair works which they say "ultimately helped us get back to business sooner."



Sally and Sam Kirby, cattle and cropping farmers from Molong

On a property which straddles the Bell River near Molong in the Central Tablelands, Sam and Sally run a mixed grazing and cropping enterprise. Over the years they've experienced their fair share of challenges including drought and devastating flood. This has prompted them to consider ways they can better future proof their farm and business. Using a Farm Innovation Fund loan through the RAA, the couple was able to purchase

and install silos for grain storage, build a laneway system, drill a bore and get it operating using a solar power system. These and other projects have seen them become more productive and will allow them to be more resilient when the next dry period hits. Following their experience, Sally encourages other producers to contact the RAA for assistance, "The funding we accessed has definitely made our farm more productive... I'd highly recommend reaching out to see how they can help you."



Figure 1.7 (over page, top): Justin Walsh on his dairy farm in Jaspers Brush.

Figure 1.8 (over page, bottom): Tom and Belinda Ledingham's seed storage shed, purchased and installed using a Farm Innovation Fund loan.

Figure 1.9 (above): Sally Kirby with new silos purchased using funding from the RAA.

Strategy



Strategic objectives and outcomes

The RAA's intended outcome is that farming businesses and other rural industries are more innovative, productive and resilient due to the efficient provision of well-targeted government assistance programs.

In 2022-23 the RAA contributed to this outcome by focusing on the following strategic priorities:

- anticipate and prepare for adverse events
- timely and proportionate responses
- minimise the impact of events
- deliver rapid assistance and support sustained recovery.

Our strategic objectives are targeted towards effectiveness, efficiency and customer satisfaction. In the 2022-23 financial year, the RAA delivered more than \$1 billion in funding across all programs - more than \$110 million in loans and more than \$920 million in grants, rebates and subsidies, dealing with more than 28,000 customer applications, with a customer satisfaction rating of 92%.

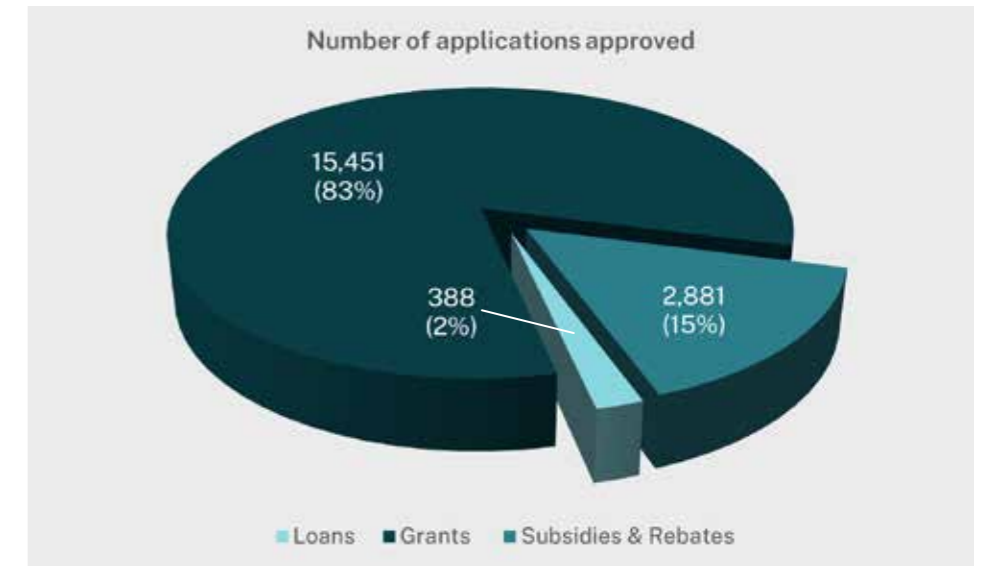


Figure 2.1: Number of applications approved by category in 2022-23

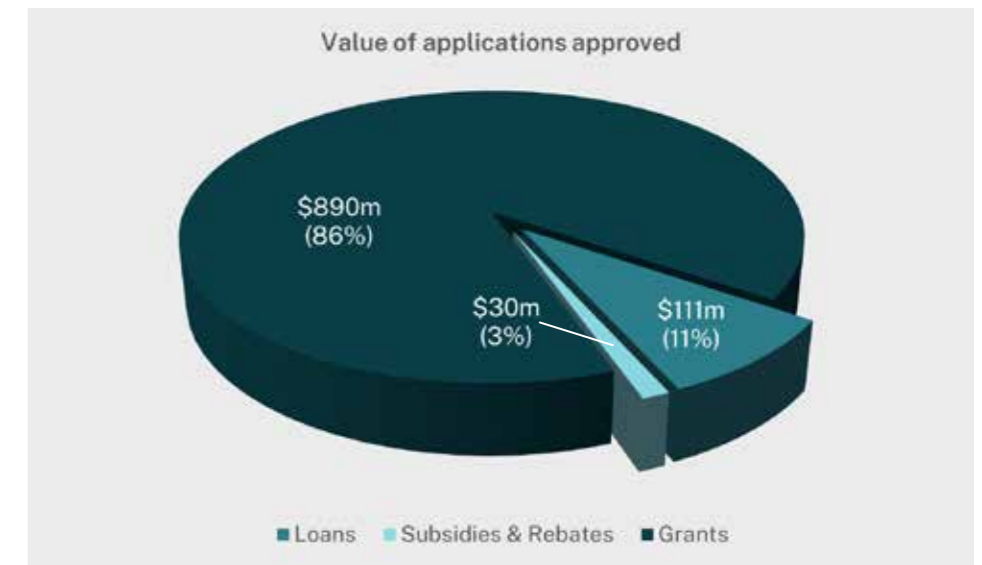


Figure 2.2: Value of applications approved by category in 2022-23



Current and future strategic plans

As part of DPI, the RAA aims to maximise outcomes for NSW primary industries, the communities they support and the resources they rely on, both today and for the future.

Under the 'Stronger Primary Industries Strategy 2022-2030', the DPI has identified six strategic priorities, including:

- Biosecure industries and environment
- Carbon neutrality and climate resilience
- Economic growth
- Response capacity
- Carbon neutrality and climate resilience
- Sustainable resources and productive landscapes

The RAA plays a direct role in assisting the DPI to achieve the 'Response Capacity' strategic outcome, which aims to reduce the impact of adverse events and ensure rapid recovery is supported, increasing resilience over time.

Current and future strategic initiatives under this outcome focus on:

- Harmonising definitions and eligibility criteria to simplify access to assistance
- Transforming service delivery to maximise customer experience
- Being response ready to deliver rapid stand up of financial assistance programs
- Developing innovative products that help primary producers to prepare for and respond to changing environmental conditions.



Over the past five years, the RAA has seen an increase in the number of applications approved and funding disbursed to support primary producers in response to, and recovery from, natural disasters and adverse weather conditions.

2022-23 saw the highest numbers of applications and funding approved by the RAA following some of the worst floods NSW has experienced.

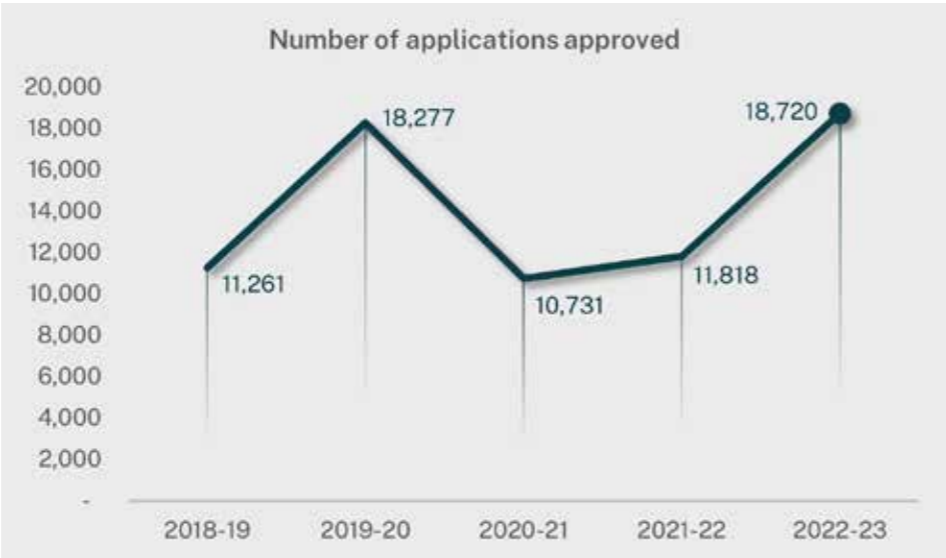


Figure 2.3: Five year snapshot of the number of applications approved

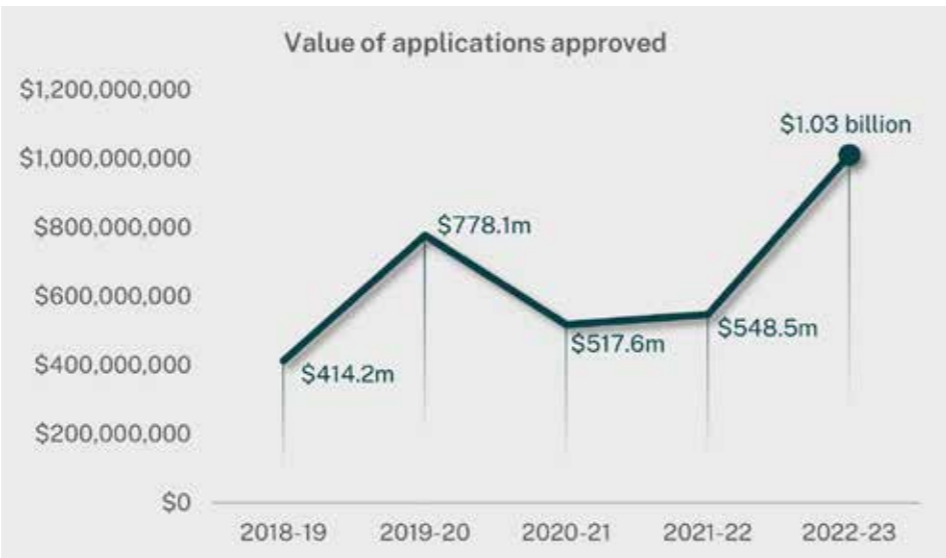


Figure 2.4: Five year snapshot of the value of applications approved

Response capacity

Primary industries sectors are vulnerable to adverse events, such as natural disasters, drought and biosecurity outbreaks. When appropriate response and recovery actions are undertaken, they can minimise the extent of the impact of these adverse events. We need to ensure that we have the capacity to provide an impactful strategic response. A modern strategic response capacity should minimise losses and impacts and facilitate a rapid recovery. This approach involves us anticipating and preparing with stakeholders so that our industry and communities are stronger when an event occurs.

Operations and Performance



Significant operations

The RAA administers government financial assistance programs, including loans, grants and subsidies, on behalf of both the NSW and Australian Governments.

Loans

Concessional loan products with appealing terms and low interest are offered to help borrowers build resilience and increase productivity and sustainability or, at times of need, recover from natural disaster events.

Farm Innovation Fund Loans

In 2022-23, 217 farm businesses were approved for Farm Innovation Fund loans for \$85.0m. The purpose for many of these loans involved investing in innovation in on-farm infrastructure and drought preparedness.

Seafood Innovation Fund Loans

During the year, nine commercial fishers and aquaculture farmers were approved for Seafood Innovation Fund loans for a total of \$2.3m to meet the costs of carrying out permanent capital works.

Forestry Industry Innovation Fund Loans

Under the Forestry Industry Innovation Fund loan scheme, four applications were approved during the year for \$5.2m.

Natural Disaster Relief Loans

In 2022-23 the RAA approved 158 farm and small business loans for \$18.9m to assist with the costs of clean-up and reinstatement of primary producers who have suffered direct damage as a direct result of an eligible disaster. Loans were approved for businesses in over 60 local government areas for various industries, including small businesses, mixed cropping and livestock, horticulture, aquaculture, forestry plantations and sugar cane.

Grants and subsidies

The RAA delivers grants after the Commonwealth and NSW governments agree upon a joint declaration of a natural disaster, including:

Special Disaster Grants

In 2022-23, 12,025 applications by primary production businesses were approved for grant funding to assist with natural disaster recovery from severe weather and flooding events, for a total of \$755.7m approved.

Rural Landholder Grants

In 2022-23, 2,107 rural landholder businesses with primary production income over \$20,000 were approved for grant funding to assist with recovery from severe weather and flooding events, for a total of \$43.4m approved.

Supply Chain Support Grants and Critical Producer Grants

In 2022-23, 1,322 primary production businesses in targeted industries were approved for grant funding to assist with recovery from severe weather and flooding events, for a total of \$91.9m approved.

Natural Disaster Transport Subsidies

In 2022-23, 469 businesses were approved for transport subsidies to support disaster recovery activities, and there were 39 cases where a charity organisation was approved for a donated fodder transport subsidy to support farm businesses in both flood and fire disaster impacted local government areas, for a total of \$11.2m approved



Horticultural Netting Program

The RAA administered the Commonwealth Government's Horticultural Netting Program trial on behalf of the NSW Government. The trial was designed to assist horticulturalists in developing resilience and adapting to Australia's ever-changing climate. Through the program, horticulturalists in NSW could apply for a grant of up to 50% of eligible costs to purchase and install new protective netting over established horticulture crops to a maximum of \$100,000. In 2022-23 the RAA approved 50 applications by horticultural primary producers for a total of \$3.8m approved.

Farms of the Future Program

The Farms of the Future program aims to assist producers to make data-led decisions to boost productivity, increase their market competitiveness and improve sustainable use of resources, including water efficiency, drought preparedness and resilience to climate change. Through the program, eligible applicants could apply for funding of 70% of the cost of eligible purchases of approved Agtech, up to a maximum of \$35,000. In 2022-23 the RAA approved nine applications from producers, for a total of \$301k.

Varroa Mite Response Program

In 2022-23 the RAA administered the NSW Varroa Mite Response Program, which supported beekeepers affected by the Varroa Mite outbreak in NSW. Reimbursement is available for hives and equipment destroyed, bees baited, as well as the value of honey products foregone as a result of the emergency response. In 2022-23 the RAA approved 2,250 applications for a total of \$13.9m approved.

Below is a summary of the number and value of applications approved for each program administered by the RAA in 2022-23 and the value disbursed to customers within the reporting period.

Table 3.1: Number of loan applications approved and value of funds approved and disbursed in 2022-23.

Loan program	Number of approved applications	Value of approved applications	Value of disbursements
Farm Innovation Fund Loan	217	\$85.02m	\$61.8m
Seafood Innovation Fund Loan	9	\$2.3m	\$1.1m
Forest Industries Innovation Fund Loan	4	\$5.2m	\$2.06m
Drought Assistance Fund Loan	Nil	Nil	\$4.9m
Natural Disaster Relief Loan	158	\$18.9m	\$13.2m

Table 3.2: Number of grant applications approved and value of funds approved and disbursed in 2022-23.

Grant program	Number of approved applications	Value of approved applications	Value of disbursements
Special Disaster Grants	12,025	\$755.7m	\$516m
Rural Landholder Grants	2,107	\$43.4m	\$24.8m
Supply Chain Support Grants	209	\$13.5m	\$27.6m
Critical Producer Grants	1,113	\$78.4m	\$24m
Bushfire Industry Recovery Program Grants	Nil	Nil	\$1.6m
Commonwealth Bushfire Industry Grants	Nil	Nil	\$7.98m
Donated Fodder Transport Subsidies	39	\$3.2m	\$3.6m
Natural Disaster Transport Subsidies	469	\$8m	\$4.3m
Varroa Mite Response Program	2,250	\$13.9m	\$13.8m
Farms of the Future Grant	9	\$301K	Nil
Mouse Control Program	3	\$30k	\$15k
Horticultural Netting Program Trial	50	\$3.75m	\$507K
Emergency Water Infrastructure Rebate	2	\$50k	\$7.4k

Grants administration

The RAA has robust internal processes that ensure that tax-payers' money is distributed only to those who can demonstrate that they meet the eligibility criteria for each program. In September 2022, this was supported by mandatory compliance with the NSW Government's Grants Administration Guide, which outlines mandatory requirements for administering grants.



Customer satisfaction

The RAA aims to ensure that at least 80% of its customers rate their experience with the RAA as positive at both the point of application and post-approval. High results were maintained throughout the 2022-23 financial year, with an average of 92% of customers who completed the point of application survey indicating a positive experience and 96% of customers who completed the post-approval survey as indicating a positive experience (Figure 3.3).

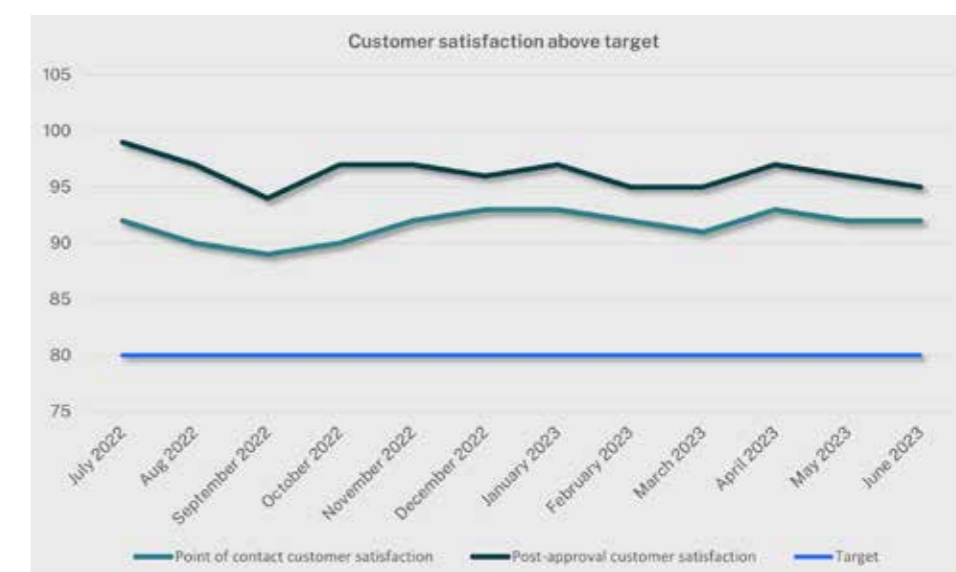


Figure 3.3: Customer satisfaction at point of contact and post approval compared to the RAA's target.

Management and Accountability

Leadership and organisation structure

Governance structure

The RAA CEO is a member of the RAA Advisory Board, has responsibility for managing and controlling RAA affairs in accordance with Advisory Board policies, and is taken to do 'any act, matter or thing done in the name of, or on behalf of' the RAA.

The Advisory Board meets regularly and as needed to set direction and promote the object of the *Rural Assistance Act 1989 (NSW)*: 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.

The CEO is supported by an Audit and Risk Committee (ARC). The ARC advises the CEO and the Advisory Board by monitoring and reviewing the RAA's governance processes, risk management

and control frameworks, and external accountability requirements. The RAA continues to have a dedicated ARC that DRNSW now administers.

The ARC met six times in 2022-23 and advised on finalising the RAA's financial statements.

The ARC has oversight of the internal audit program and reviewed the following audits that commenced or were completed in 2022-23:

- Schedule of Loans Program
- Grants, Relief or Stimulus Packages Administration
- Natural Disaster Flood Program.

The internal audit function is a critical component of the second line of defence and has identified many business improvement opportunities.

Risks

The RAA's top risks include cyber security and the approval and payment of grants or loans that has the potential to result in financial loss and/or non-optimisation of programs because of fraud or corruption.

Cyber security risk is being addressed at several levels, including through the implementation of NSW Government's Cyber Security Strategy and DRNSW's Cyber Security Policy.

The risk of fraud or corruption is being addressed by the development of a Fraud Management Framework, which includes a fraud risk assessment.

Senior executives and remuneration

There was one senior executive at year end, with a total remuneration \$280,392, including on costs.



Figure 4.1 (above): Members of the RAA Risk, Policy and Governance team, Amy Abbey, Samantha Newton, Tim Gippel, Christin Turnbull and Carla Johnson

Human resources

Consultants

The RAA engaged four consultancies in 2022-23, with a total value of \$699,250 (GST exclusive) for work completed in 2022-23 (Table 4.1).

Promotion

There were no overseas visits by employees and officers during 2022-23.

Number of employees by category and compared to the prior year

The RAA's approach to human resources in terms of recruitment, retention, performance management and release of staff is directed by DRNSW, by a partnership between the department and the RAA, and in line with the *Government Sector Employment Act 2013*. The RAA seeks assistance and advice from DRNSW but must undertake most HR activities.

On 30 June 2023, the RAA had 27 ongoing staff, 65 fixed term and 41 staff who were casual, contingent or on secondment, with a total of 133 staff. The RAA retains a small core of permanent staff and is accustomed to scaling up quickly in response to need, as required with drought, bushfires and floods.



Name of consultant	Title of project	Actual costs (ex GST)
Flowbuilders Pty Limited	Support services for Salesforce operating system, including program establishment and maintenance	\$343,103
Flowbuilders Pty Limited	Support services Digital Restart Fund	\$42,301
Sitback Solutions Pty Limited	Support services Digital Restart Fund	\$248,006
Australian Farm Institute	Definition of a farmer	\$65,840

Table 4.1: Consultancies engaged by the RAA in 2022-23.



Privacy and Personal Information Protection Act 1998 (PPIPA) requirements

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 (NSW)*.

In managing private and personal information, the RAA is guided by the policies, procedures and reporting requirements of DRNSW. Staff have received targeted training on privacy to support sound decision-making about handling personal information.

In 2022-23 there were two privacy-related incidents recorded. Both involved only a single customer, and the recipient of the incorrect information confirmed it had been destroyed in both cases. The affected parties were satisfied with the response from the RAA.

Government Information (Public Access) Act 2009 (GIPA) requirements

Refer to the DRNSW Annual Report for GIPA requests to the RAA under the *Government Information (Public Access) Act 2009 (GIPA)*.

Public Interest Disclosures Act 1994

Refer to the DRNSW Annual Report for Public Interest Disclosures within the RAA.

Records and information management

DRNSW manages the RAA's electronic records under a service agreement. That management includes support and advice, but the RAA monitors its adherence to good record management standards and ensures that security risks are managed effectively.

The RAA's Manager of Risk, Policy and Governance is the responsible officer for RAA records management.

Farm Debt Mediation

The RAA administers the *Farm Debt Mediation Act 1994*. 'Farm Debt Mediation' is a structured negotiation process in which the mediator, as a neutral and independent person, assists the farmer and the creditor to communicate effectively, resolve matters relating to farm debts, and formalise that resolution in an agreement. Mediation is required before a creditor can take possession of property or other enforcement action under a farm mortgage. In 2022-23 the RAA registered 71 new farm debt mediation matters (up from 33 in 2021-22) and issued 19 Exemption Certificates under s.14 of the Act to creditors once they met the requirements of the Act (down from 25 in 2021-22). One Prohibition Certificate under s.10 of the Act was issued.

Fraud and corruption

The RAA is exposed to an inherent risk of fraud and corruption, both internally and from external parties, as an administrator of public funds. The RAA has continued to manage fraud and corruption risks with various programs in response to natural disaster events. There were 262 instances of suspected external fraud in 2022-23, down 30 matters from the previous financial year. Most of these cases were opportunistic and unsophisticated attempts at fraud and were identified at the application stage by RAA assessment staff using strong internal controls and countermeasures. They did not result in financial loss. A few medium fraud risks were identified post-application through

detection countermeasures and investigated internally. These fraud risks included applicants using funds for improper purposes or receiving duplicate payments and were managed appropriately and in accordance with policy.

In 2022-23 the RAA developed a Fraud and Corruption Framework based on best practices to support the RAA to effectively discharge their responsibilities under the *Rural Assistance Authority Act 1989*. The framework manages fraud and corruption risks through foundational governance practices and strategies to prevent, detect and respond appropriately.

The RAA has also established a Case Review Panel to assist in the escalation, decision-making, and referral of suspected fraud and corruption matters to the relevant agencies, including the NSW Police Force and the DRNSW cluster. The Panel comprises senior management from the RAA and legal and governance representatives from the DRNSW.

The RAA reported two new matters to the NSW Police Force for further investigation as potential fraud in 2022-23. Both matters included Special Disaster Grant (Storm and Flood) applications and were identified via effective internal controls with effective countermeasures applied.



Economic or other factors affecting the achievement of operational objectives

A combination of inflationary pressure, consecutive natural disasters and overall lower market confidence has seen the approval of loans over the year decline. Despite the economic conditions being challenging, a strong rural property market has helped strengthen the overall loan risk profile. Going forward all eyes will be on the ENSO Outlook for El Niño which moved from Watch to Alert in August 2023.

Inflation and inputs

Inflation remains a risk for producer profits and is also expected to weigh on consumer demand. However, most indicators are suggesting that inflation appears to have peaked in the United States and Australia. As prices for agricultural commodities are expected to fall over 2023-24, sustained high input costs may erode profits and increase financial viability risks to farms. Recent data shows input costs continued to ease from historical peaks in mid-2022.

Labour availability is still a constraint on farmers' profitability. However, there have been some improvements over the past 12 months. The labour shortage is expected to continue to ease as participation in the Pacific Australia Labour Mobility (PALM) scheme expands.

Market prices

As of June 2023, cattle prices for all of NSW's four largest saleyards have fallen back to 2020 levels.

Despite forecast falls, grain and oilseed prices are expected to remain relatively elevated in 2023-24 reflecting strong global demand. Restricted Ukrainian grain production following the unrest, and uncertainty surrounding Black Sea exports, are likely to continue weighing on world grain markets in 2023-24 and keep global prices elevated. Another significant fall in Ukrainian wheat production is expected in 2023-24, relative to 2022-23.

Rural property markets

The Rural Bank's 'Australian Farmland Value 2022 Report' suggests the median price per hectare of Australian farmland increased by 20 per cent in 2021. This was the largest year-on-year in percentage terms since 2005. Strong growth in 2021 lifted the 20-year compound annual growth rate (CAGR) to 8.4 per cent.


NSW median price per hectare is \$6,339, an increase of 8.3% in 2021 and a compounding annual growth of 8.0% over the past 20 years.

What this means is the value of underlying securities has grown significantly over recent years. All regions are trending upwards except the state's Central region, which saw a small decrease of 0.5% of the median price per hectare.

Internal Audit and Risk Management

Internal Audit and Risk Management Policy Attestation (compliance with TPP20-08)

NSW Rural Assistance Authority




**Internal Audit and Risk Management Attestation Statement
2022-2023 Financial Year
NSW Rural Assistance Authority**

I, Darren Budworth, Chief Executive Officer, Rural Assistance Authority, am of the opinion that the NSW Rural Assistance Authority has internal audit and risk management processes in operation that are, excluding any exemptions or transitional arrangements described below, compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements	Compliant, Non-Compliant or In Transition
RISK MANAGEMENT FRAMEWORK	
1.1 The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	Compliant
1.2 The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	Compliant
INTERNAL AUDIT FUNCTION	
2.1 The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	Compliant
2.2 The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for the Professional Practice of Internal Auditing.	Compliant
2.3 The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant

NSW Rural Assistance Authority



AUDIT AND RISK COMMITTEE

3.1 The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.2 The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Audit and Risk Committee – Membership

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


- **Chair**-Ms Julie Elliott; Start: 1 November 2020-Finish: 30 October 2023
- **Member**-Mrs Kerry Adby; Start: 1 November 2020 -Finish: 30 October 2023
- **Member**-Mr Gary Humphreys; Start: 1 November 2020 -Finish 30: October 2023

Shared Arrangements

I, Darren Budworth, Chief Executive Officer, advise that the Rural Assistance Authority has entered into an approved shared arrangement with the following agencies:

- Department of Regional NSW –Principal Department
- NSW Food Authority
- Regional Growth (NSW) Development Corporation
- Northern Rivers Reconstruction Corporation

The resources shared include the Audit and Risk Committee, the Chief Audit Executive and the internal audit function. The shared Audit and Risk Committee is a Principal Department Led Shared Audit and Risk Committee.



Darren Budworth
Chief Executive Officer, Rural Assistance Authority



Risk management framework, implementation and monitoring

The RAA has a dedicated and independent Audit and Risk Committee (ARC), which the DRNSW manages. The RAA reports on risk and audit matters to the ARC every quarter. The RAA's risk management approach is carried out per the DRNSW's Risk Management Framework.

The management team oversees the maintenance and review of the enterprise risk management register, which is considered and discussed at monthly assurance working group meetings. This

includes a monthly review of existing controls to ensure they are effective and in place and risk actions (future controls).

A project risk register is established for all new programs and written into governance documentation. The risk of financial mismanagement or misallocation is mitigated through a range of controls, one of the most important of which is a financial instrument of delegation ('the delegations') signed by our CEO. This delegation clarifies who has the authority to approve particular activities and to what level. Our financial

management system has been developed to mirror the delegations so that it is impossible for a person to make a payment beyond their delegation level. The CEO has responsibility for the organisation and the management team. With many years in government and financial services sectors, Darren understands the operating environment, particularly the need to balance speed and access against rigour and integrity.

Assurance framework

The RAA takes the three lines of defence approach to assurance, with management controlling the first line, complementary analysis and challenge the second line, and the third line involving independent and objective advice.

The RAA maintains an Advisory Board-approved Assurance Policy and a CEO-approved Assurance Framework. The activities required through these documents provide an internal assessment of governance, risk management and control processes. Assurance processes comfort senior

leadership and the Advisory Board that the controls in place to manage risks are adequate and effective.

In 2022-23 the RAA carried out assurance reviews on several programs including Special Disaster Grants (SDG) for NSW storms and floods (both November 2021 and February 2022 events), refusals across all flood programs, and a review of potential fraud reporting. The sample size varies depending on the program's risk profile and the number of applications being reviewed. The sample size has varied between 2% and 10% of approved applications.

This is an ongoing risk-based process with live programs being reviewed regularly. Each review is followed by a high-level report provided to the relevant program manager for information and comment.

To date, significant concerns have yet to be raised as part of this process; however, live feedback is provided to the relevant teams to ensure that continuous improvement can be made at the business unit level. This includes process improvements and highlighting any training gaps that may exist.

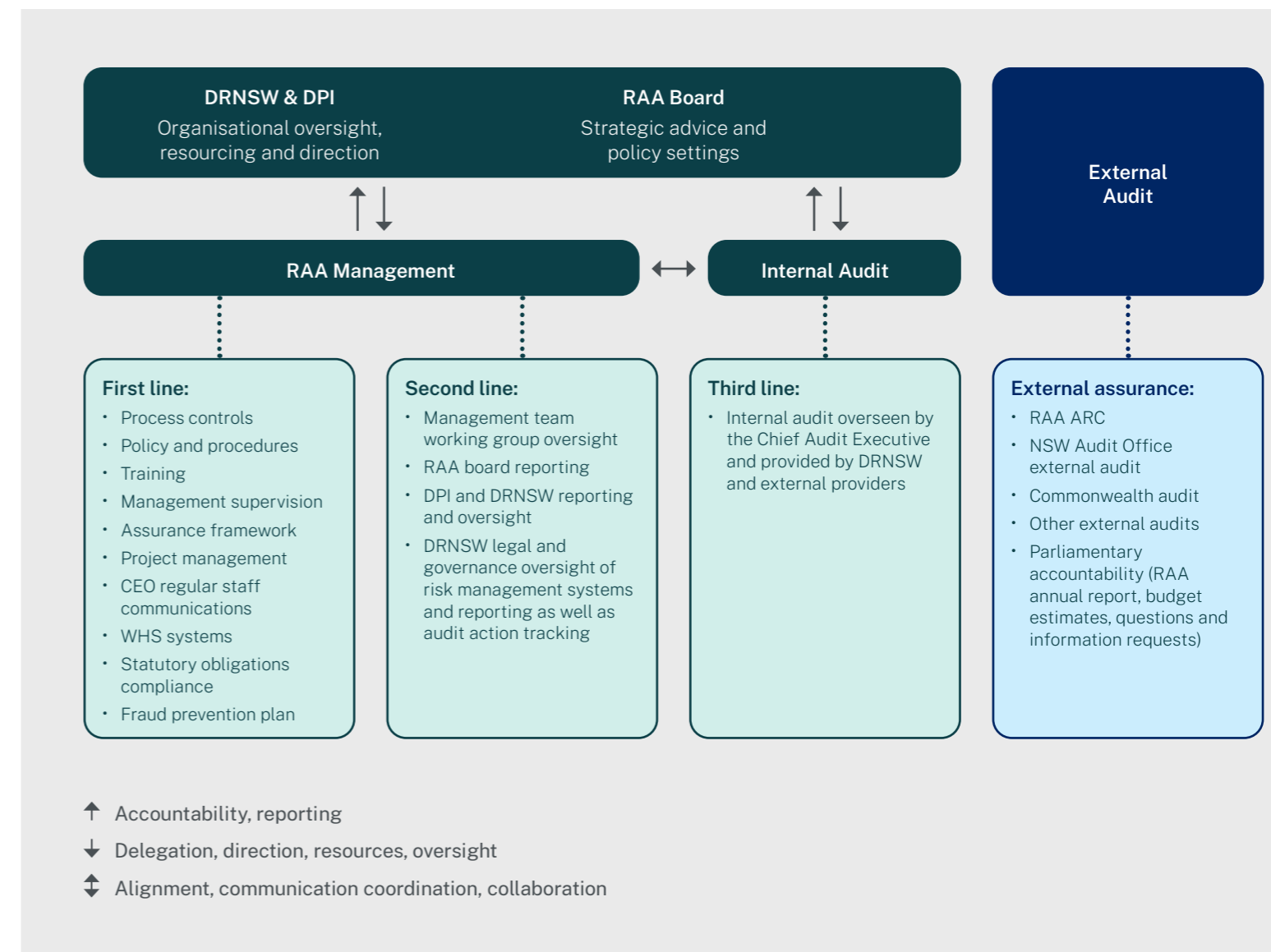


Figure 4.2: Three lines of defence model, adapted from the Institute of Internal Auditors' Australia Three Lines Model.



Insurance arrangements

The RAA participates in an insurance scheme administered on behalf of the NSW Government by icare to include insurance coverage for workers' compensation, motor vehicles, public liability, property and miscellaneous insurance. The RAA's 2022-23 workers' compensation premium is included in the DRNSW premium. There were no workers' compensation claims received in 2022-23.

Audits

The DRNSW audited the Schedule of Loans Program as part of the internal audit plan. This included a review of processes and compliance with the RAA loan framework and covered the following loan products:

- Farm Innovation Fund
- Forestry Industry Innovation Fund
- Seafood Innovation Fund
- Drought Assistance Fund
- Natural Disaster Loans

The audit conclusion for the report of 23 December 2022 was that minor improvement was required and that the residual risk for the loans management process was low.

At the request of the DRNSW, Deloitte Touche Tohmatsu (Deloitte) undertook an internal audit of:

- Grants, Relief or Stimulus Packages Administration – a transaction-based audit as requested by the RAA Advisory Board focussed on sampling payments across packages to ensure controls are being maintained
- Natural Disaster Flood Program – review of the effectiveness and completeness of compliance with controls surrounding the administration of financial support through Special Disaster Assistance Grants (AGRN 1012).

These were undertaken through a single audit process commencing in June 2023. The reported findings of this audit will be finalised in early 2023-24.

Cyber Security Policy attestation

The NSW Government's Cyber Security Policy establishes a range of obligations for agencies. For the RAA, our parent agency mainly met these obligations.

Statements for cyber security from the agency perspective are provided in the DRNSW annual report.

All staff are required to complete cyber security essentials training online annually.

Ongoing awareness is provided periodically in sessions, including a cyber security refresher on phishing emails and the process for staff to follow if they receive a 'suspicious' email.

There were no cyber security incidents in 2022-23.



26 September 2023

Cyber Security Annual Attestation Statement for the 2022-2023 Financial Year for the Department of Regional NSW

I, Darren Budworth, am of the opinion that the NSW Rural Assistance Authority (RAA) has managed cybersecurity risks consistently with the Mandatory Requirements outlined in the NSW Government Cyber Security Policy.

Governance is in place to manage the cybersecurity maturity and initiatives of RAA, and Cyber security is appropriately addressed in RAA governance forums.

The assessment and management of risks to the information and systems of RAA are being well managed.

A current cyber security incident response plan is in place for RAA which has been tested during the reporting period.

DRNSW and the supported entities covering RAA have an Information Security Management System (ISMS) in place.

The Department of Planning and Environment (DPE) provides DRNSW and the supported entities with their ICT environment through a Service Partnership Agreement. DPE bears responsibility for the technical aspects of cybersecurity on behalf of DRNSW and the supported entities.

DPE has maintained certification with ISO27001 Information Technology - Security Techniques - Information Security Management Systems - Requirements. This certification was provided by an Accredited Third Party (BSI) during the 2022/2023 financial year (Certificate Number is IS 645082).

There is no agency under the control of NSW Rural Assistance (RAA) which is required to develop an independent ISMS in accordance with the NSW Cyber Security Policy.

Darren Budworth
CEO
NSW Rural Assistance Authority (RAA)

Sustainability

Workforce diversity

The RAA has a staffing profile that corresponds to our customer base and includes certain employees born abroad or with a global cultural background. It is well recognised that when employees first join an organisation, they may only sometimes choose to disclose their cultural heritage.

Disability Inclusion Action Plans

The DRNSW Annual Report contains RAA statistics related to the Disability Inclusion Action Plan.

Modern Slavery Act 2018 (NSW)

Refer to the DRNSW consolidated annual report for any statements under the *Modern Slavery Act 2018 (NSW)*.

Work Health and Safety

We continued to monitor work health and safety (WHS) needs throughout the organisation in 2022-23. Our WHS risks tend to fall in the area of the psychosocial, with customer aggression and distress, remote or isolated work associated with working from home and a sometime excessive workload as the main concerns.

WHS policy and procedures form part of the induction program for RAA staff. Staff are required to complete WHS training annually to comply with the *Work Health and Safety Act 2011 (NSW)* and ensure they remain current with required knowledge.

The DPI's Infrastructure Investment and Business Excellence (IIBE) WHS Committee meets quarterly and a member of the management team represents the RAA. Consultation during 2022-23 included managing aggressive stakeholders and vehicle safety. In response, the DRNSW Health and Wellbeing team facilitated vicarious trauma training for 104 RAA officers interacting with trauma-affected stakeholders.

There were seven WHS incidents reported in 2022-23, with five relating to COVID-19, one for a non-work-related injury or illness and one as psychosocial. WHS training forms part of an annual suite of mandatory training that all staff are required to complete.

Code of conduct

One of the RAA's critical controls against errors and misunderstandings is that staff must complete training in DRNSW's code of conduct, "the code", when they commence employment and annually after that. The code articulates:

- professional standards
- 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.

Staff learn about conflicts of interest as part of the code of conduct training. The DRNSW has a process for declaring conflicts of interest, and staff are taught how to identify and make a declaration. The RAA delivered additional training to reinforce the messages relating to conflicts of interest and maintained a register to ensure oversight of appropriate internal controls.

If staff fail to meet standards set by the code, corrective action may be taken under the *Government Sector Employment Act 2013*. If there is a finding of misconduct, the action taken depends on the circumstances. Still, it may include caution or reprimand, assignment to another role, a fine, reduction in grade or termination of employment.

Managers monitor staff conduct and professional behaviour and can be supported through actions in the Performance and Development Plan (PDP) process.

Financial Performance



Independent Auditor's Report



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 New South Wales Rural Assistance Authority (the Authority), which comprise the Statement by the Chief Executive Officer, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Authority's financial position, financial performance and cash flows

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).

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

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

Independent Auditor's Report (*continued*)**Chief Executive Officer's Responsibilities for the Financial Statements**

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive Officer's responsibility also includes such internal control as the Chief Executive Officer 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 Officer 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

Delegate of the Auditor-General for New South Wales

29 September 2023
SYDNEY

Annual GSF financial statements

New South Wales Rural Assistance Authority
Statement by the Chief Executive Officer
for the year ended 30 June 2023

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), I state that these financial statements:

- (a) have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the Government Sector Finance Regulation 2018 and the Treasurer's directions, and
- (b) present fairly New South Wales Rural Assistance Authority's financial position, financial performance and cash flows

Signed  _____

Darren Budworth
Chief Executive Officer
New South Wales Rural Assistance Authority

Date: 26 September 2023

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
Expenses excluding losses				
Personnel services	2(a)	11,684	13,350	6,226
Operating expenses	2(b)	3,695	7,237	4,786
Depreciation and amortisation	2(c)	-	8	-
Grants and subsidies	2(d)	810,441	278,718	239,293
Finance costs	2(e)	15,382	18,972	13,703
Total Expenses excluding losses		841,202	318,285	264,008
Revenue				
Sales of goods and services		-	653	-
Investment revenue	3(a)	15,867	19,936	13,752
Grants and contributions	3(b)	853,397	299,203	265,952
Personnel services revenue	3(c)	174	-	180
Other revenue	3(d)	1,405	1,036	180
Total Revenue		870,843	320,828	280,064
Other gains / (losses)	4	(3,515)	(1,020)	(1,197)
Net Result		26,126	1,523	14,859
TOTAL COMPREHENSIVE INCOME		26,126	1,523	14,859

The accompanying notes form part of these financial statements.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
ASSETS				
Current Assets				
Cash and cash equivalents	6	40,485	48,274	33,610
Receivables	7	234,244	3,693	43,505
Other financial assets	8	62,663	68,511	55,098
Total Current Assets		337,392	120,478	132,213
Non-Current Assets				
Other financial assets	8	545,136	730,891	557,991
Property, plant and equipment				
Plant and equipment	9	-	42	-
Total Non-Current Assets		545,136	730,933	557,991
Total Assets		882,528	851,411	690,204
LIABILITIES				
Current Liabilities				
Payables	11	66,531	22,823	20,130
Borrowings	12	62,832	68,320	55,146
Provisions	13	148,544	15,807	27,296
Total Current Liabilities		277,907	106,950	102,572
Non-Current Liabilities				
Borrowings	12	562,650	740,189	571,788
Provisions	13	6	4	5
Total Non-Current Liabilities		562,656	740,193	571,793
Total Liabilities		840,563	847,143	674,365
Net Assets		41,965	4,268	15,839
EQUITY				
Accumulated funds	14	41,965	4,268	15,839
Total Equity		41,965	4,268	15,839

The accompanying notes form part of these financial statements.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 July 2022		15,839	15,839
Net result for the year		26,126	26,126
Total other comprehensive income		-	-
Total comprehensive income for the year		26,126	26,126
Balance at 30 June 2023		41,965	41,965
Balance at 1 July 2021		980	980
Net result for the year		14,859	14,859
Total other comprehensive income		-	-
Total comprehensive income for the year		14,859	14,859
Balance at 30 June 2022		15,839	15,839

The accompanying notes form part of these financial statements.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services		(10,975)	(13,350)	(6,202)
Grants and subsidies		(672,042)	(278,718)	(215,878)
Finance costs		(12,811)	(13,768)	(11,601)
Other		(4,134)	(7,237)	(2,189)
Total Payments		(699,962)	(313,073)	(235,870)
Receipts				
Sale of goods and services		-	653	-
Interest received		12,942	14,733	11,738
Grants and contributions		691,579	299,203	218,985
Other		2,079	16	526
Total Receipts		706,600	314,605	231,249
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	6,638	1,532	(4,621)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance repayments received		70,026	59,124	112,746
Purchases of plant and equipment		-	(50)	-
Advances made		(83,214)	(129,677)	(114,369)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,188)	(70,603)	(1,623)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		83,346	144,367	115,790
Repayment of borrowings		(69,921)	(73,813)	(112,829)
NET CASH FLOWS FROM FINANCING ACTIVITIES		13,425	70,554	2,961
NET INCREASE/(DECREASE) IN CASH		6,875	1,483	(3,283)
Opening cash and cash equivalents		33,610	46,791	36,893
CLOSING CASH AND CASH EQUIVALENTS	6	40,485	48,274	33,610

The accompanying notes form part of these financial statements.

**NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

1. STATEMENT 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 47A 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 2022-23, personnel services were provided by the Department of Regional NSW (Principal Department).

These financial statements for the year ended 30 June 2023 have been authorised for issue by the Chief Executive Officer on the date of the accompanying statement by the Chief Executive Officer 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 *Government Sector Finance Act 2018* (GSF Act) and
- Treasurer's Directions issued under the GSF 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 using the fair value basis. 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 which is the entity's presentation and functional currency.

(c) Going Concern

The Financial Report has been prepared on a going concern basis of accounting, which indicates continuity of the Authority's ordinary activities and realisation of assets and settlement of liabilities in the normal course of business.

Aside from the recurrent grants received from the Principal Department, the Authority is reliant on reimbursement for the costs incurred in its activities for the NSW Reconstruction Authority. The NSW Reconstruction Authority currently reimburses agencies up to 100% of the costs incurred on eligible activities subject to Disaster Recovery Funding Arrangements (DRFA) upon a claim being made. In the event of a processing error by the Authority, under the DRFA, the Authority may be held liable for these costs, despite having appropriate controls, policies and procedures in place. In relation to the administrative costs of the program, the Authority is able to claim additional employment costs only and these costs are reimbursed at only 75% until the resolution of process audits, when the residual balance is paid. These audits can take up to three years to complete. The real and potential funding gap represents a risk to the ability of the NSW Rural Assistance Authority to pay its debts as and when they fall due, and casts doubts upon their ability to continue as a going concern. However, the Authority has received a letter of comfort from the Reconstruction Authority that funding for the programs run by the Authority will be paid in line with the current funding arrangements as and when they are due.

Due to other similar funding risks within the Regional NSW Cluster, the Principal Department the Department of Regional NSW is unable to provide the NSW Rural Assistance Authority with a guarantee of financial support.

The Authority receives cluster grants as part of the Total State Sector (TSS) funding arrangements.

(d) Statement of compliance

These 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, 30 June 2022, for all amounts reported in the financial statements.

The budget amounts in statement of comprehensive income and statement of financial position are full year original budget presented to Parliament in respect of the reporting period.

**NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Deemed appropriation

Section 41 of the *Rural Assistance Act 1989* (the Act) established a Rural Assistance Authority Fund. Section 42 of the Act noted there shall be paid into the Fund the following:

- (a) all money received by or on account of the Authority, and
- (b) all money advanced to the Authority by the Treasurer or appropriated by Parliament for the purposes of the Authority,
- (c) all money received by the Authority under this Act from any other source.

This Fund is a Special Deposit Account and the Authority does not have any deemed appropriation and no disclosure under section 4.7 of the GSF Act on movement of deemed appropriations is required.

(h) Administered activities

The Authority administers, but does not control, certain activities on behalf of the Crown in right of the State of New South Wales ("Crown"). It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources resulting from these transactions for the achievement of the Authority's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Authority's revenues, expenses, assets, and liabilities but are disclosed in the accompanying schedules as administered items. Refer note 21.

The accrual basis of accounting and applicable accounting standards have been adopted for these activities.

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

i) Effective for the first time in FY 2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year. There are no new or revised Australian Accounting Standards applied for the first time in 2022-23 which has material impact on the financial statements.

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2020-6 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date*
- AASB 2021-7a *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]*
- AASB 2022-3 *Amendments to Australian Accounting Standards - Illustrative Examples to Not-for-Profit Entities accompanying AASB 15*

The adoption of the above revised Australian Accounting Standards has not had any significant impact on NSW Rural Assistance Authority.

ii) Issued but not 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.

- AASB 17 *Insurance Contracts*
- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-6 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*
- AASB 2021-7b *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2021-7c *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2022-1 *Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB - Comparative Information*
- AASB 2022-5 *Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*
- AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*
- AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*
- AASB 2022-8 *Amendments to Australian Accounting Standards - Insurance Contracts: Consequential Amendments*
- AASB 2022-9 *Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector*
- AASB 2022-10 *Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

NSW Rural Assistance Authority has assessed the impact of the new standards and interpretations issued but not yet effective and considers the impact to be not material.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impact of COVID-19 and Natural disasters on financial reporting

As at 30 June 2023, the Authority assessed the impact of COVID-19 and natural disasters on the fair value of its financial assets. These assets include loan receivables. This was based on historical information, expectation of macroeconomic conditions and outlook at the time of assessment. The effect and uncertainty of the COVID-19 and natural disaster factor on the Authority's loan book was minimal over the past 12 months. It is possible that post 30 June 2023 there may be some new evidence that impacts this fair value assessment materially.

2. EXPENSES EXCLUDING LOSSES

	2023	2022
	\$000	\$000
(a) Personnel services		
Salaries and wages (including recreation leave)	9,938	5,484
Redundancy payments	26	-
Superannuation	942	522
Long service leave	193	(85)
Workers compensation insurance	(2)	8
Payroll tax and fringe benefits tax	587	297
	11,684	6,226
(b) Operating expenses include the following:		
Administration fees	473	473
Advertising and promotion	1	77
Auditor's remuneration – audit of financial statements	173	121
Bad and doubtful debts	178	195
Consultants	140	597
Contractors	2,077	2,732
Insurance	8	21
Legal fees	39	8
IT & Communication	301	407
Other operating	119	85
Purchase assets < \$5,000	64	18
Training and staff development	39	11
Travel	83	41
	3,695	4,786

(c) Depreciation and amortisation expense

Depreciation and amortisation for the period ended 30 June 2023 is NIL (2022: NIL)

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

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2. EXPENSES EXCLUDING LOSSES (continued)

(d) Grants and subsidies

	2023	2022
	\$000	\$000
Apple and Grape Recovery Grants - Bushfire	7,891	2,171
Biosecurity Initiatives	15	5,025
Bushfire Industry Recovery Program	1,578	5,785
Critical Producer Package	58,061	-
Emergency Drought Relief	-	(23)
Emergency Water Infrastructure Rebate	7	14,596
Flood Industry Recovery Grant	27,693	6,459
Grants expense on low interest loans	17,446	8,377
Horticulture Netting	508	-
Natural Disaster Relief Grants - Floods	675,076	194,018
Transport Subsidies	8,279	2,885
Varroa Mite	13,887	-
	810,441	239,293

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

	2023	2022
	\$000	\$000
Interest on Treasury advance	11,703	10,689
Interest on Commonwealth loans	1,109	872
Interest Expense	-	40
Amortised interest expense	2,570	2,102
	15,382	13,703

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

Revenue 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

	2023	2022
	\$000	\$000
Interest	513	10
Interest income on loans	12,784	11,640
Amortised interest revenue	2,570	2,102
	15,867	13,752

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).

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. REVENUE (continued)
(b) Grants and contributions

	2023	2022
	\$000	\$000
Grants without sufficiently specific performance obligations:		
Biosecurity Initiatives	-	9,500
Bushfire Industry Recovery Program	8,000	4,500
Critical Producer	58,426	-
Digital Restart Fund Project	1,090	-
Emergency water infrastructure rebate	20,265	16,875
Farms of the Future	52	-
Grant revenue on low interest loan	17,446	8,377
Horticulture Netting	5,916	-
Natural disaster relief grants	694,780	213,175
Recurrent grants	5,870	6,342
Storm and Flood Industry Recovery Program	27,344	7,183
Varroa Mite	14,208	-
	<u>853,397</u>	<u>265,952</u>

Recognition and Measurement

Grants and contributions include grants from the Principal Department. Income from grants without sufficiently specific performance obligations are 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 11 as part of 'Current Liabilities – Payables'.

(c) Personnel services revenue

The following liabilities and/or expenses have been assumed by the Crown:

	2023	2022
	\$000	\$000
Long service leave provision	174	180
	<u>174</u>	<u>180</u>

(d) Other revenue

	2023	2022
	\$000	\$000
Loan and grant administration fee	189	180
Gain/(loss) on prior year Accrual	1,216	-
	<u>1,405</u>	<u>180</u>

4. OTHER GAINS / (LOSSES)

	2023	2022
	\$000	\$000
Impairment gain/(loss) on financial assets	(3,515)	(921)
Revaluation of long service leave liability transferred to Crown	-	(276)
	<u>(3,515)</u>	<u>(1,197)</u>

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

5. STATE OUTCOMES

The Authority operates to contribute to NSW State Outcome 2 : Stronger Primary Industries. Focusing on primary industries' productivity, growth and ensuring the sector's sustainability for the benefit of all citizens. This program group covers financial assistance through loans and grants allowing primary producers, small businesses and not-for-profit organisations to continue operations following natural disasters and to become more resilient, self-reliant and sustainable.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank or on hand	2023	2022
	\$000	\$000
Cash at bank and on hand		
- Restricted	36,277	16,486
- Unrestricted	4,208	17,124
	<u>40,485</u>	<u>33,610</u>

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

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the period ended 30 June 2023 to the statement of cash flows as follows:

	2023	2022
	\$000	\$000
Cash and cash equivalents (per statement of financial position)	40,485	33,610
Closing cash and cash equivalents (per statement of cash flows)	<u>40,485</u>	<u>33,610</u>

Refer to Note 10 for a list of restricted cash and their balances at 30 June 2023

Refer Note 19 for details regarding credit risk, liquidity risk, interest rate risk and market risk arising from financial instruments.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

7. CURRENT ASSETS - RECEIVABLES

	2023 \$000	2022 \$000
Trade debtors	23	19
Less: Allowance for expected trade credit losses	(5)	(2)
Receivable against grant funding programs	231,531	40,901
Interest receivable - on loans	2,583	2,229
Net GST	43	88
Personnel services receivable	3	14
Prepayments	66	256
	234,244	43,505

	2023 \$000	2022 \$000
Movement in the allowance for expected credit losses		
Balance at the beginning of the period	2	10
Increase/(decrease) in allowance recognised in net results	3	(8)
Balance at the end of the period	5	2

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 19.

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 and Environment's provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

	2023 \$000	2022 \$000
Advances receivable - loans to clients secured	614,552	610,566
Advances receivable - loans to clients unsecured	10,654	16,328
Less: Allowance for expected credit losses	19(d) (17,407)	(13,805)
	607,799	613,089

Current / Non-Current portion of the advances receivable are as follows;

	2023 \$000	2022 \$000
Current	62,663	55,098
Non-Current	545,136	557,991
	607,799	613,089

Movement in the allowance for expected credit losses

	2023 \$000	2022 \$000
Balance at the beginning of the period	13,805	13,797
Increase/(decrease) in allowance recognised in net result	3,602	8
Balance at the end of the period	17,407	13,805

Refer to Note 19d 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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

9. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

	Plant and Equipment \$000
At 1 July 2021 - fair value	
Gross carrying amount	11
Accumulated depreciation and impairment	(11)
Net carrying amount	-
Year ended 30 June 2022	
Net carrying amount at beginning of year	-
Assets cost written off	-
Assets accumulated depreciation written off	-
Net carrying amount at end of year	-
At 1 July 2022 - fair value	
Gross carrying amount	11
Accumulated depreciation and impairment	(11)
Net carrying amount	-
Year ended 30 June 2023	
Net carrying amount at beginning of year	-
Accumulated depreciation written off	-
Net carrying amount at end of year	-
At 30 June 2023 - fair value	
Gross carrying amount	11
Accumulated depreciation and impairment	(11)
Net carrying amount	-

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

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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 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 21-09). 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 consider 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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

10. 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.

	2023	2022
	\$000	\$000
CURRENT		
Bushfire Industry Recovery Program	-	377
Commonwealth Concessional Loans	600	749
Dairy Industry Fund	335	388
Emergency Water Infrastructure Rebate	20,671	413
Flood Industry Recovery Program	-	482
Flying Fox Netting Subsidy	-	222
Horticulture Netting	5,408	-
Loans Module Upgrade	-	1,525
NSW Treasury	9,263	10,493
Zinc Phosphide Rebate Program	-	2,475
	36,277	17,124

11. CURRENT LIABILITIES - PAYABLES

	2023	2022
	\$000	\$000
Unearned Income	2,439	749
Personnel services payable	281	142
Creditors - Others	63,811	19,239
	66,531	20,130

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in Note 19.

Recognition and Measurement

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.

12. CURRENT/NON-CURRENT LIABILITIES - BORROWINGS

	2023	2022
	\$000	\$000
CURRENT		
Unsecured		
Commonwealth loan repayable	5,352	6,046
Treasury loan repayable	57,480	49,100
	62,832	55,146
NON-CURRENT		
Unsecured		
Commonwealth loan repayable	27,248	31,548
Treasury loan repayable	535,402	540,240
	562,650	571,788

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 19.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

Changes in liabilities arising from financing activities

2023	1-Jul-22	Net cash flows	30-Jun-23
	\$000	\$000	\$000
Treasury Loan Repayable			
Current	49,100	8,380	57,480
Non-Current	540,240	(4,838)	535,402
Commonwealth Loan Repayable			
Current	6,046	(694)	5,352
Non-Current	31,548	(4,300)	27,248
Total Liabilities from financing activities	626,934	(1,452)	625,482
2022	1-Jul-21	Net cash flows	30-Jun-22
	\$000	\$000	\$000
Treasury Loan Repayable			
Current	34,622	14,478	49,100
Non-Current	509,560	30,680	540,240
Commonwealth Loan Repayable			
Current	39,239	(33,193)	6,046
Non-Current	46,827	(15,279)	31,548
Total Liabilities from financing activities	630,248	(3,314)	626,934

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS

CURRENT	2023 \$000	2022 \$000
Personnel Services Liabilities		
Annual leave	936	548
Long service leave	129	97
Payroll tax	22	17
Other on-costs	35	76
	1,122	738
Other Provisions		
NSW Government Grants	146,590	25,637
Expected Credit Loss on Loan Commitments	832	921
	147,422	26,558
Total current provisions	148,544	27,296
NON-CURRENT		
Employee benefits and related on-costs		
Long service leave	4	3
Payroll tax	2	2
	6	5
Total non-current provisions	6	5
Aggregate employee benefits and related on-costs		
Provisions – current	1,122	738
Provisions – non-current	6	5
Personnel services payable (Note 11)	281	142
	1,409	885

Movement in provisions (NSW Government Grants)

Movements in NSW Government Grants provision during the financial year, are set out below:

	2023 \$000	2022 \$000
Grants Payment		
Balance at the beginning of the period	25,637	10,599
Additional provisions		
- Critical producer grant	8,479	213
- Emergency Transport Subsidies	376	-
- Natural Disaster Relief Grants - Floods	137,735	25,424
Amounts used	(25,637)	(10,599)
Balance at the end of the period	146,590	25,637

Movement in provisions (Expected Credit Loss on Loan Commitments)

Movements in expected credit loss on Loan Commitments provision during the financial year, are set out below:

	2023 \$000	2022 \$000
Expected Credit Loss on Loan Commitments		
Balance at the beginning of the period	921	-
Increase/(decrease) in allowance recognised in net results	(89)	921
Balance at the end of the period	832	921

Recognition and Measurement

Personnel services arrangement

Salaries and wages, annual leave and sick leave

Liabilities for personnel services are stated as liabilities to the service provider, the Principal Department. 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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. 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 the Principal Department. 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.

14. ACCUMULATED FUNDS

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

15. COMMITMENTS FOR EXPENDITURE

	2023 \$000	2022 \$000
Other expenditure commitments		
Loan commitments		
The total of loan commitments does not include GST as they are financial supplies.		
(i) Commitments for the payments of Natural Disaster Loans		
Not later than one year	858	1,474
Total (excluding GST)	858	1,474
(ii) Commitments for the payments of Farm Innovation Loans and Seafood Industry Innovation Fund Loans		
Not later than one year	41,612	48,238
Total (excluding GST)	41,612	48,238

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

15. COMMITMENTS FOR EXPENDITURE (continued)

	2023	2022
	\$000	\$000
(iii) Commitments for the payments of Drought Assistance Fund Loans		
Not later than one year	1,946	13,157
Total (excluding GST)	1,946	13,157
(iv) Commitments for the payments of Forestry Industry Innovation Funds		
Not later than one year	4,905	663
Total (excluding GST)	4,905	663

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Authority did not have any contingent liabilities or contingent assets as at 30 June 2023 (2022: Nil).

17. 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 Authority's net result at 30 June 2023 is \$24.6m favourable to budget. The overall favourable position was due to grant programs not commencing during the year, with \$21m being in relation to round 3 of the Emergency Water Infrastructure Rebates program and Grant Expenditure is well above budget due to the higher than budgeted demand for Primary Producer Recovery Grants for Floods and subsequent events declared after the original budget (August & September Storm and Flood Events). The increase in demand has been flagged throughout the year and is offset by additional revenue recouped from NSW Reconstruction Authority, leading to Grant Revenue exceeding budget as well.

Assets and liabilities

The Authority's total equity position at the 30 June 2023 is favourable to budget by \$37.7m. Significantly higher than budgeted accruals and provisions have been recorded for flood recovery support programs for the February - March 2022, June 2022, August and September flood events. The increase in accruals and provisions for the flood programs are offset by increased receivables from NSW Reconstruction Authority who fund the programs.

The Authority has seen a significantly lower level of loan take up by customers than was originally budgeted for and in turn, a lower level of borrowings has been drawn down from the Crown. The decrease in demand for loans has been affected by a number of environmental factors including higher commercial interest rates from commercial lenders impacting the ability of customers to increase debt levels, availability of resources, both human and material, to undertake construction works, as well as current government support programs for disaster being centred around grant programs instead of loans.

Cash flows

The Authority's closing cash and cash equivalent position is \$40.5m at 30 June 2023; slightly in favour of budget and significantly higher than the actual 2022 cash position. Due to increased demand for Primary Producer Recovery Grants for Flood events RAA has higher than originally budgeted payment of grants and grants received from NSW Reconstruction Authority.

The Authority has seen a significantly lower level of loan take up by customers than was originally budgeted, leading to lower levels of advances made to customers and proceeds from borrowings. Repayments received from customers and in turn repayment of the Authority's borrowing was significantly higher than budgeted due concerted efforts to address maturing Commonwealth Farm Finance and drought concessional loans, as well as a number of special disaster loan customers repaying debts in full at the end of the grace period before interest takes effect.

18. 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:

	2023	2022
	\$000	\$000
Net cash used on operating activities	6,638	(4,621)
Decrease / (increase) in provisions	(121,338)	(15,124)
Increase / (decrease) in receivables	190,742	38,516
Decrease / (increase) in payables	(46,401)	(2,991)
Other gain / (loss)	(3,515)	(921)
Net Result	26,126	14,859

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. 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	
			2023	2022
			\$000	\$000
Financial Assets				
Cash and cash equivalents	6	Amortised Cost	40,485	33,610
Receivables ¹	7	Amortised Cost	234,135	43,161
Other financial assets	8	Amortised Cost	607,799	613,089
Financial Liabilities				
Payables ²	11	Financial liabilities measured at amortised cost	64,092	19,381
Borrowings	12	Financial liabilities measured at amortised cost	625,482	626,934

Notes

- Excludes statutory receivables and prepayments (i.e., not within scope of AASB 7).
- 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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. 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.

Farm Innovation Fund - the Authority may be liable to meet a net interest expense between the 2.5% paid by the client and the TCorp interest rate for the NSW Government's 20-year bond commencing in the 2022/23 Financial Year.

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 2023 and 30 June 2022 was determined as follows:

	30 June 2023							Total
	Current	<30 Days	30-60 Days	60-90 Days	90-180 Days	180-360 Days	> 360 Days	
Expected credit loss rate %	0%	0%	0%	0%	0%	0%	23%	
Estimated total gross carrying amount (\$000)	-	-	-	1	-	-	22	23
Expected credit loss (\$000)	-	-	-	-	-	-	5	5
	30 June 2022							Total
	<30 Days	30-60 Days	60-90 Days	90-180 Days	180-360 Days	> 360 Days		
Expected credit loss rate %	0%	0%	0%	0%	11%	0%		
Estimated total gross carrying amount (\$000)	-	-	-	-	-	19	-	19
Expected credit loss (\$000)	-	-	-	-	-	2	-	2

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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(i). Credit risk (Continued)

Authority Deposits

The Authority has placed no funds on deposit with TCorp.

Other financial assets

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 3.99% (2022: 1.81%).

The interest rate on Natural Disaster Loans is currently 1.69% (2022: 0.80%). The Farm Innovation Fund Loan is currently 2.5% (2022: 2.5%). 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 9.20% (2022: 9.20%). NSW Fisheries adjustment loans fixed interest rate of 2.5% (2022: 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 3.59% (2022: 1.41%). 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 4.66% (2022: 2.06%).

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 4.16% (2022: 1.56%).

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 (Jun 2023 \$42.270m; 2022: \$67.494m). Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any expected credit loss of receivables.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(i). Credit risk (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 flood events. With anticipation of continued susceptibility to these and other climatic key vulnerabilities, the Authority has reviewed the forward-looking expected loss approach for the 2023 financial year.

In recognition of the added risk, the Authority has applied two overlays to the provisions under the Simplified Approach. A future looking management overlay is applied for; industry risk, forward looking term risk and a security exposure risk, - these three risk uplifts are applied at the individual loan level. The second overlay is macroeconomic adjustment for uncertainty and negative outlooks affecting the Authority's customer base, including:

- Livestock market results and forecast (Medium risk - High prices since drought forecast to start declining).
- Emerging biosecurity issue (High risk - Foot & Mouth Disease, Varroa Mite, Mouse Plague).
- Climate Change & Natural Disaster impacts (High risk - Impact of multiple natural disaster events on customers).
- Inflationary pressures (High risk - Inflation reached a three-decade high in 2023).
- Labour shortages (Low risk - Horticulture industry most impacted and accounts for less than 5% of the Authority's loan portfolio).
- Global unrest and high input prices (Low risk - High grain prices affecting global supply, offset by high input prices of fertiliser and diesel).
- Underlying security and property value changes (Low risk - Farmland value trended upwards for many years, with only three LGA's seeing multiyear decline in which the Authority has low portfolio exposure).

The Simplified Approach has been applied through a specific provision for loans over 90 days in arrears. Disaster assistance loans account for half of these loans with large proportion of customers being affected by flooding and storm events.

The Authority recognised provision for expected credit losses on its other financial assets at fair value through other comprehensive income in the amount of \$17.41m in 2023 (2022: \$13.805m). A provision of \$832k has been raised for expected credit loss on loan commitments. These are loans approved by the authority but are yet to be drawn down by the customers.

As at 30 June 2023 expected credit loss for other financial assets is:

2023	30 June 2023		Base	Economic	Forward	Estimated
Product	Balance	Risk Profile	Expected	adjustment	looking	Credit Loss
	\$000	%	\$000	\$000	\$000	\$000
Disaster Loans						
Bushfire	12,910	1.09%	140	97	84	321
Flood	9,944	1.09%	108	75	13	196
Storm	10,940	1.09%	119	82	16	217
Small Business	20,281	1.09%	221	152	185	558
Sporting, Church & Non-Profit Organisations	316	1.09%	3	3	2	8
Forest Industry Innovation Fund Loan	17,074	0.58%	99	128	55	282
NSW Fisheries Adjustment Loan	785	0.54%	4	6	3	13
Farm Innovation Fund	426,649	0.58%	2,463	3,200	907	6,570
Drought Assistance Fund	102,975	0.58%	594	772	293	1,659
Drought Transport Fund Loan	82	0.58%	1	1	0	2
Seafood Innovation Fund Loan	8,248	0.58%	48	61	28	137
Special Conservation Scheme	3,110	0.58%	18	23	5	46
Farm Finance Concessional Loan	-	0.00%	-	-	-	-
Business Improvement Conc. Loan	3,822	0.58%	22	29	4	55
Drought Concessional Loan	1,000	0.00%	6	7	6	19
Drought Recovery Concess Loan	8,327	0.58%	48	63	5	116
Dairy Recovery Concessional Loan	1,805	0.58%	10	14	1	25
Farm Business Scheme Drought	10,934	0.58%	63	82	11	156
Farm Business Scheme Dairy Rec	2,176	0.58%	13	16	2	31
	641,378		3,980	4,811	1,620	10,411

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(i). Credit risk (Continued)

Loans specifically provisioned for at 30 June 2023:

2023		30 June 2023	Number of	Specific
Product	Security Type	Balance	Contracts	Provisions
		\$000		\$000
Disaster Relief				
Bushfire	MORTGAGE	11	1	11
Bushfire	UNSECURED	467	10	467
Flood	MORTGAGE	1,077	25	725
Storm	MORTGAGE	319	5	183
Small Business	MORTGAGE	646	5	249
Small Business	UNSECURED	1,826	45	1,826
Forest Industry Innovation Fund	MORTGAGE	1,377	1	299
NSW Fisheries Adjustment Loan	PPSR	262	5	262
Farm Innovation Fund	CAVEAT	1,023	8	632
Drought Assistance Fund	CAVEAT	861	20	730
Drought Assistance Fund	PPSR	71	2	71
Drought Assistance Fund	UNSECURED	40	1	40
Seafood Innovation Fund Loan	UNSECURED	264	1	264
Farm Finance Concession Loan	MORTGAGE	561	1	136
Business Improvement Loan	MORTGAGE	1,232	2	294
Drought Concessional Loan	MORTGAGE	1,000	1	224
Drought Recovery Concessional Loan	MORTGAGE	420	1	108
Dairy Recovery Concessional Loan	MORTGAGE	349	1	94
Farm Business Scheme Drought	MORTGAGE	559	2	160
Farm Business Scheme Dairy Refinance	MORTGAGE	692	1	162
Special Conservation Scheme	CAVEAT	29	3	60
		13,086	141	6,997

As at 30 June 2023 expected credit loss for loan commitments:

2023	30 June 2023		Base	Economic	Forward	Estimated
Product	Balance	Risk Profile	Expected	adjustment	looking	Credit Loss
	\$000	%	\$000	\$000	\$000	\$000
Disaster Loans						
Bushfire	28	1.09%	1	0	0	1
Flood	260	0.00%	3	2	0	5
Storm	440	1.09%	5	3	1	9
Small Business	130	0.00%	2	1	1	4
Forest Indust Innov Fund Loan	4,905	0.58%	28	37	16	81
Farm Innovation Fund	41,472	0.58%	239	311	148	698
Drought Assistance Fund	1,946	0.58%	11	15	6	32
Seafood Innovation Fund Loan	140	0.58%	1	1	0	2
	49,321		290	370	173	832

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(i). Credit risk (Continued)

As at 30 June 2022 expected credit loss for other financial assets is:

2022	30 June 2022		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	14,758	1.09%	162	96	96	354
Flood	11,342	1.09%	123	74	13	210
Storm	5,902	1.09%	65	38	9	112
Small Business	23,655	1.09%	259	154	234	647
Sporting, Church & Non-Profit Organisations	350	1.09%	4	2	2	8
Forest Industry Innovation Fund Loan	17,100	0.58%	100	111	72	283
NSW Fisheries Adjustment Loan	1,003	4.41%	44	7	36	87
Farm Innovation Fund	395,372	0.58%	2,303	2,570	790	5,663
Drought Assistance Fund	117,263	0.58%	683	762	187	1,632
Drought Transport Fund Loan	115	0.58%	1	1	1	2
Seafood Innovation Fund Loan	7,473	0.58%	43	49	34	126
Special Conservation Scheme	4,500	0.58%	27	29	7	63
Business Improvement Conc. Loan	4,865	0.58%	28	32	2	62
Drought Recovery Conc. Loan	10,547	0.58%	61	69	4	134
Dairy Recovery Concessional Loan	3,286	0.58%	19	21	2	42
Farm Business Scheme Drought	11,826	0.58%	69	77	10	156
Farm Business Scheme Dairy Rec	3,057	0.58%	17	20	2	39
	632,414		4,008	4,112	1,501	9,620

Loans specifically provisioned for at 30 June 2022 :

2022	Security Type	30 June 2022	Number of Contracts	Specific Provisions
		Balance		
Product		\$000		\$000
Disaster Relief				
Bushfire	Mortgage	116	2	56
Flood	Mortgage	1,350	28	858
Storm	Mortgage	309	5	181
Small Business	Mortgage	206	3	113
Small Business	Unsecured	100	2	100
NSW Fisheries Adjustment Loan	PPSR	272	5	272
Farm Innovation Fund	CAVEAT	1,212	9	741
Drought Assistance Fund	CAVEAT	354	8	296
Drought Assistance Fund	PPSR	89	2	89
Seafood Innovation Fund Loan	PPSR	125	1	125
Seafood Innovation Fund Loan	Unsecured	194	1	194
Special Conservation Scheme	CAVEAT	137	5	118
Farm Finance Concessional Loan	Mortgage	1,375	3	347
Business Improvement Concessional Loan	Mortgage	202	1	64
Drought Concessional Fund	Mortgage	2,555	5	631
		8,596	80	4,185

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(i). Credit risk (Continued)

As at 30 June 2022 expected credit loss for loan commitments :

2022	30 June 2022		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	1,069	1.09%	12	7	7	26
Flood	130	1.09%	1	1	-	2
Storm	130	1.09%	1	1	-	2
Small Business	145	1.09%	2	1	1	4
Forest Indust Innov Fund Loan	663	0.58%	4	4	3	11
Farm Innovation Fund	47,626	0.58%	277	310	95	682
Drought Assistance Fund	13,157	0.58%	77	86	21	184
Seafood Innovation Fund Loan	612	0.58%	4	3	3	10
	63,532		378	413	130	921

(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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. 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
2023								
Payables	0.0%	64,092	-	-	64,092	64,092	-	-
Borrowings:								
Advances repayable	3.0%	652,160	619,559	32,601	-	66,910	266,293	318,957
		716,252	619,559	32,601	64,092	131,002	266,293	318,957
2022								
Payables	0.0%	19,381	-	-	19,381	19,381	-	-
Borrowings:								
Advances repayable	3.0%	638,742	601,147	37,595	-	57,237	223,313	358,192
		658,123	601,147	37,595	19,381	76,618	223,313	358,192

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 2022. 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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. FINANCIAL INSTRUMENTS (continued)

(d) Financial risks (continued)

(iii). Market risk

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
2023					
Financial Assets					
Cash and cash equivalents	40,485	(405)	(405)	405	405
Receivables	234,135	-	-	-	-
Other financial assets (Fixed rate)	575,199	-	-	-	-
Other financial assets (Variable rate)	32,600	(326)	(326)	326	326
Financial Liabilities					
Payables	64,092	-	-	-	-
Borrowings (Fixed rate)	592,882	-	-	-	-
Borrowings (Variable rate)	32,600	(326)	(326)	326	326
2022					
Financial Assets					
Cash and cash equivalents	33,610	(336)	(336)	336	336
Receivables	43,161	-	-	-	-
Other financial assets (Fixed rate)	589,292	-	-	-	-
Other financial assets (Variable rate)	37,602	(376)	(376)	376	376
Financial Liabilities					
Payables	19,381	-	-	-	-
Borrowings (Fixed rate)	589,339	-	-	-	-
Borrowings (Variable rate)	37,595	(376)	(376)	376	376

(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.

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

20. 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 Transaction Based Contribution Scheme (OJD). The remaining funds are to be applied for the benefit of the sheep industry.

	2023 \$000	2022 \$000
Trust funds at the beginning of the year	10	153
Add: Receipts	50	-
Less: Payments	(23)	(143)
Trust funds at the end of the year	37	10

21. ADMINISTERED ASSETS AND LIABILITIES

The following assets and liabilities relate to the Farms of the Future program administered by the Authority on behalf of the Department of Regional NSW.

	2023 \$000	2022 \$000
Administered Assets		
Cash on hand	8,183	-
Total Administered Assets	8,183	-
Administered Liabilities		
Unearned Revenue	8,183	-
Total Administered Liabilities	8,183	-

22. RELATED PARTY DISCLOSURE

During the year, the Authority expensed \$336,094 (2022: \$316,327) in respect of board members and key management personnel services that were provided by a separate management entity, Department of Regional NSW.

During the year, 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 2023 are as follows:

	2023 \$000		2022 \$000	
	Transaction value	Loan Balance	Transaction value	Loan Balance
Loans				
Disaster Relief Loan	25	105	29	128
Drought Assistance Fund	20	58	21	128
Farm Innovation Fund	366	1,825	85	1,535
	411	1,988	135	1,791
Grants				
Emergency Water Infrastructure Rebate	-		9	
Natural Disaster Recovery Grants	305		120	
Zinc Phosphide Rebate	-		10	
	305		139	

Annual GSF financial statements (continued)

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

22. RELATED PARTY DISCLOSURE (continued)

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:

Entity	Nature of Transactions
The Crown	Borrowing from The Crown to assist various rural assistance programs and repayment of the same.
Crown Solicitor's Office	Provides legal services to the Authority.
Investment NSW	The Authority previously acted as loan administrator for Investment NSW job incentive loans. Investment NSW was formed 29 March 2021 and as a result of a machinery of government, Investment NSW dissolved March 2023.
Jobs for NSW	The Authority acts as loan administrator for Jobs for NSW job incentive loans. The loans are issued through the Authority. Jobs for NSW formed March 2023 through a machinery of government superseding Investment NSW.
NSW Self Insurance Corporation	Provides insurance services to the Authority.
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.
NSW Reconstruction Authority	The Authority acts as grants administrator in relation to emergency assistance payments. NSW Reconstruction Authority formed December 2022 through a machinery of government superseding Resilience NSW.
Resilience NSW	The Authority previously acted as grants administrator in relation to emergency assistance payments. Resilience NSW formed May 2020 and as a result of a machinery of government, Resilience NSW dissolved December 2022.

23. EVENTS AFTER THE REPORTING PERIOD

On 19th September 2023 NSW State Government announced the budget for the financial year 2023-24, there has been adjustments to the budget for programs run by the Authority. The Expenditure Review Committee and the businesses are in the process of the reviewing programs and implementation of the budget variations. Management expects that these measures will not result in any major changes to current projects.

End of financial statements



Investment performance

The RAA did not have any investments in 2022-23.

Liability management performance

The RAA calculates and makes provision for the Expected Credit Loss (ECL) of its loan book on a bi-annual basis. The expected credit loss provision is designed to estimate the portion of loans that will become unrecoverable over the course of the loan term. The calculation looks specifically at loans in arrears, and takes into consideration the historical rate of default, the customer's industry and the prevailing macroeconomic conditions.

The loan book balance and total arrears balance have stayed relatively constant during 2022-23. Despite this, the number of loans in arrears has increased by over 37%, indicating to us that changing

market conditions are having broad reaching implications for customers. At year end the RAA management made upward adjustments to both the forward-looking economic overlay and individual industry risk factors to incorporate these trends into our provision. Consequently, the provision has increased 26% since the half-year calculation in February 2023.

RAA staff and management continue to engage with our customers in arrears and work closely with them to understand their businesses and map a path through to returning their loan to good standing.

Climate-related financial disclosures

Refer to the DRNSW Annual Report for any climate-related financial disclosures at the cluster level.

**NSW Rural Assistance Authority
Annual Report 2022-23**

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