

Backlog & Transformation Update

(V1.0 – final)

04 February 2021



Background

The RIC was provided with \$50M additional funding over 4 years from 2020/21 to 2023/24. Most of this funding has been front ended and allows for the RIC to address a greater demand for concessional loans than was originally envisaged with a need to clear the backlog and support for the Transformational Program.

Funding for 2020/21 was based on an estimated 1,200 new loan applications (excluding Agristarter). Based on applications received to December and what is estimated for the remainder of the financial year, the RIC's estimate for loans is 1,900 (700 more than was expected at the beginning of the financial year).

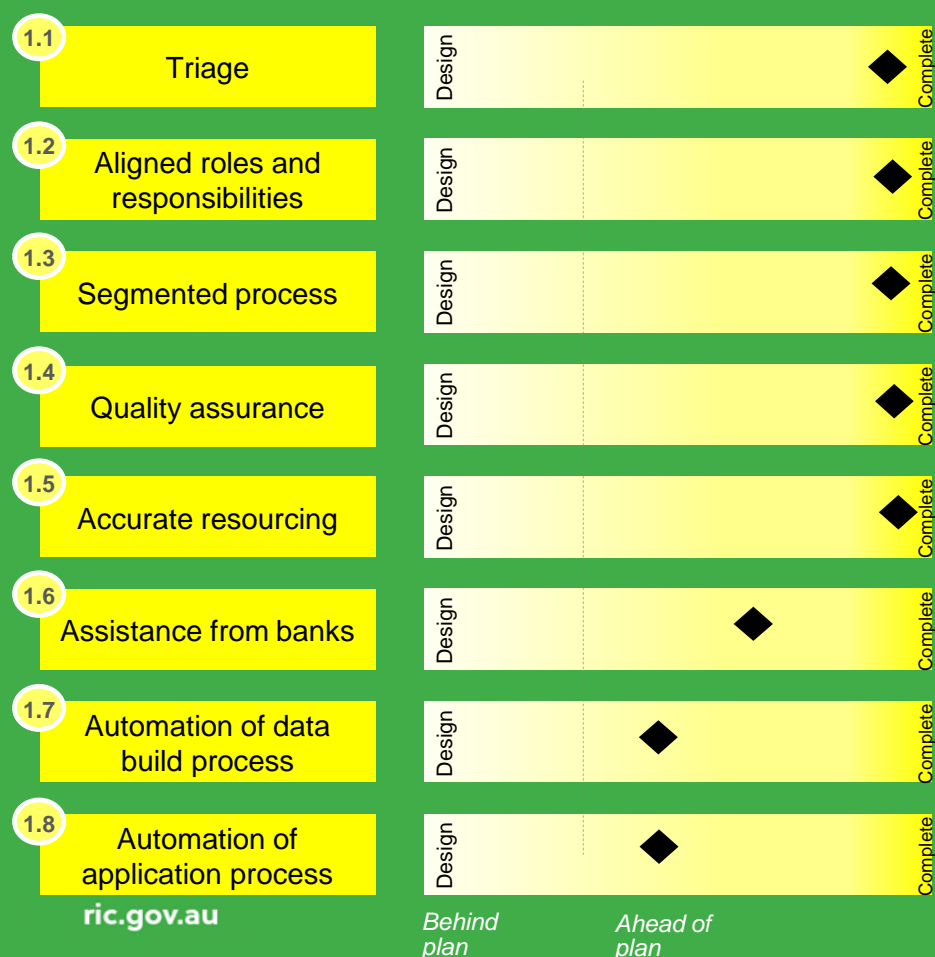
The RIC has allocated \$6.8M to the Transformation Program for the 2020/21 year and there is further funding for the 2021/22 year. Significant more resources are allocated to Program Delivery to ensure the backlog of applications are addressed. The RIC expects to decision all loans and be significantly progressed with settlement by 30 June. In achieving this, the RIC expects it will operate with a budget deficit and the need to draw on retained earnings. The relevant submissions will be made to the requisite authorities for this.

Extra funding has allowed for implementation of a workforce plan. A structure exists with leadership and senior appointments in Program Delivery, Transformation and Corporate Services. The ASL has increased from 33 (before funding) to 86 for 2020/21. Significant recruitment is underway. The ASL estimate is sitting at 70.8 and approximately 40 new staff are being on-boarded for the first pay period in February.

Introduction

Core Improvement initiatives

Progress @ 30 Dec 2020



With additional funding support from the Australian Government, the RIC is progressing its Backlog and Transformation Strategy. The RIC has rapidly evolved beyond what it was set up to do and we are acutely aware of the need to transform our business model so that we can effectively respond to our customers and the government.

Our goals are to address the application backlog and deliver an improved future state. Our outcome objectives are:

- a scalable and dynamic delivery model
- ownership of the customer experience
- enabling infrastructure to drive better customer outcomes and efficiency

This document focuses on RIC's progress against the eight core initiatives needed to reduce our application backlog and transform our service delivery model, and progress of enabling initiatives that support the realisation of future improvements.

The first five improvement initiatives 1.1- 1.6 (phase one), which relate to triaging applications according to complexity, aligning staff resourcing with loan volumes, developing a risk-based process for loan assessment and improvements to quality assurance, are in place. Projects 1.7 and 1.8 will allow the automation of some of the manual processes identified in phase two.

This document also provides feedback from agriculture industry members who want to express their gratitude for the benefits concessional loans provide to their businesses. We note sentiment from these customers that concessional loans are increasing their business and industry confidence and seeing them more viable and productive in the long term. This positive impact aligns with the purpose of the loan program.

Feedback – loan impact

"After some very difficult years we feel positive about the dairy industry and **support such as this enables us to expand our business** and make the most of the current situation"

Drought Loan Customer, VIC

"**We take our hats off to the job you are all doing to help rural Australia.**"

Drought Loan Customer, NSW

"[RIC staff were] incredibly empathetic, kind and professional... **they got farmers and they knew their work**"

Drought Loan Customer, NSW

"**I would like to thank the Australian Government, through the Regional Investment Corporation, in providing concessional loans to eligible farm businesses like ours** business is tough as we deal with many challenging circumstances which are usually beyond our control like drought, fire, frost, market volatility... **We are so grateful that we [have] Government and organisations that are very supportive to us farmers** to ride on the many challenges and to remain viable."

Drought Loan Customer, SA

"We feel secure and confident going forward now. This will make a **big difference to our long term sustainability** so we are hugely grateful. Thank you."

Drought Loan Customer, QLD

"[The RIC Assessor] was organised, practical and when she said she was going to call or follow up details she did just that. I feel it is very important to pass this feedback on given the high workload [the RIC team are] experiencing—**[their] work is making a big difference to family farmers**"

Drought Loan Customer, NSW

"[Your] support and understanding in bringing together all the details needed for the application from a struggling property in central western Queensland is to be commended... Thank you again and **please pass on our thanks to your board of directors and the government department who made available this scheme to rural Australia.**"

Drought Loan Customer, QLD

"Our business has many growth strategies in many areas and endless opportunities with this assistance when the transfer happens. On that day, all of our experience, our morale of staff and motivation will change significantly and [we will be able] to continue the 160 year old business. **[We'd like to] publicly acknowledge the work that ...the RIC team and the National/ Liberal Government have done** for without it, [things] would have changed for the

worse."

AgBiz Drought Loan Customer, NSW

"**We wish to express of gratitude** for all the team members we have dealt with during the process of acquiring our Drought Loan through Regional Investment Corporation. It was with much apprehension we applied for and waited for information regarding our Loan Application. Every member of the team we spoke with on the telephone made us feel at ease and comfortable."

Drought Loan Customer, NSW

Progress against core and enabling initiatives

Operating Model Pillar commentary 31 Jan 21

Eight core transformation improvement initiatives

► 1 Process & operating model design

1.1 Triage

- Triage decline process is now operational and effective. First full month of operation in January 2021.
- The triage decline rate has increased from 6% in September 2020 to 47% in January 2021 (not including variations and appeals). This result equates to greater assessment staffing levels reviewing files in alignment with financial need.
- Next step is to optimise processes with automation (refer flight plan slides 10-11).

1.2 Aligned roles and responsibilities

- Phase 1 and 2 of the bulk recruitment has been completed with 77 positions having been accepted. For the first pay period in February, 40 new staff were on-boarded with the remaining staff commencing imminently.
- RIC has set up its own front-end parallel process. RIC takes its file allocations all the way through the process. Contract negotiations will work towards alignment of the LSP to documentation and settlement in the future state.
- Individual RIC assessors are now responsible for each application across the vetting, databuild and assessment stages. This arrangements results in less hand-offs and reduced timeframes.
- RIC has arranged licenses into the LSP's banking system. Contract discussions with LSP will also explore options to leverage existing technology further and data-sharing arrangements when the CRM project goes live. Next steps are LSP to cease assessment as backlog clears around March 2021.
- Strike team established and working through aged files, AgRebuild and AgBiz loans (refer slide 19-20 for results).
- Phase one was intended to establish an efficient manual process for loan applications. With the end-to-end (E2E) trial now underway, phase two will involve automating the process (refer flight plan slides 10-11).

1.3 Segmented process

- Streamlined assessment processes are in place for eligible applications as per triage protocols.
- Consolidation of workflow processes is complete.
- Capability to document files with external solicitors and settle loans in-house is being explored for further timeframe improvements.
- Overall process improvement initiatives have resulted in decreased times to decision and settlement (refer slides 15-16).
- Update to credit risk grade associated with financial need has focused the process to ensure further efficiency with streamlined assessment aligned to level of risk.

1.4 Quality Assurance

- QA process has been updated to reduce queue times in the process. Between Sep-Dec 2020, we saw a 10% reduction in median days for QA and Settlement stage, and an 80% increase in the throughput of files in that stage.

Eight core transformation improvement initiatives

1.5 Accurate resourcing

- Through an extensive recruitment and onboarding campaign, the ASL has increased from 33 (before funding) to 88 for 2020/21. The ASL estimate is sitting at 70.8 and approximately 40 new staff are being on-boarded for the first pay period in February.
- Program Delivery teams are grouped into specialisations throughout the process with monitoring and reporting in place. KPIs in the Credit Team measure total decisions per month against targets. For example, in January 2021, RIC internal assessment team decisions was 41, versus the target of 36.

1.6 Assistance from Banks

- The RIC is negotiating Standard Operating Procedures (SOPs) with commercial lenders and has SOPs in place with 4 lenders and continues to negotiate with the remaining major agribusiness lenders to have SOPs in place ASAP.
- Negotiations are also underway with these lenders on Deed of Priorities.









































1.7 Automation of Data Build process

- Salesforce has been selected as the customer relationship manager (CRM) platform, which will also be a system to support automated loans lifecycle processing. This is a significant investment with approximately \$2.7M allocated to current works.
- The manual triage process is sufficiently robust to take as a baseline to automate.
- Further refinement of streamlined assessment to capture more information in the streamlined assessment process.
- Digitising application phase will assist earlier identification of simple loans, delivering further efficiency gains the future.

1.8 Application form

- Automation of application form - Salesforce integrator consultancy has developed the online AgriStarter form, scheduled for release in early February.
- Cyber security aspects of the form have been assessed (IRAP Assessment and Penetration Test).
- Next steps are to investigate automation of data inputs and data extracts across loan process – CRM loan application form, extend the online form to other loan products, and decide on method for data extraction.

Core Transformation Initiatives; Progress by Stage Gate





	Portfolio – Initiative Lifecycle Gate #							
Initiative#	1	2	3	4	5	6	7	8
1.1 , 1.2, 1.3, 1.4, 1.5 – RIC e2e manual process								
1.6 – SOPs with Banks (4 from 7 complete)								
1.6 – Assistance from banks								
1.7 – CRM MVP (AgriStarter Application)								
1.8 – CRM MVP (AgriStarter Application)								

Initiative #

#1.1 – Triage
 #1.2 – Aligned Roles & Responsibilities
 #1.3 – Segmented Process
 #1.4 – Quality Assurance
 #1.5 – Accurate resourcing
 #1.6 – Assistance from Banks
 #1.7 – Automation of data build
 #1.8 – Automation of application process

Gate #

#1 – Discovery
 #2 – Scoping Feasibility
 #3 – MVP Requirements
 #4 – Business Case for Tech Investment
 #5 – Development – design approved
 #6 – Test and Validate – Construction Complete
 #7 – Launch
 #8 – Post Launch review

-  Complete
-  Partially Complete
-  In flight
-  Not started

Operating Model Pillar commentary 31 Jan 21

Enabling transformation improvement initiatives

► 2. Metrics, data & reporting strategy

- Recruitment of Business and Data Analysts is complete and work is in train to consolidate data and reporting.
- Monitoring and Evaluation Plan is complete, next step is working through plan implementation.
- KPIs for productivity now in place across some specialised teams in Program Delivery.
- When CRM is in place sales funnel reporting can begin to be undertaken.

► 3. Lending Service Provider Strategy

- RIC and the LSP have commenced contract negotiations with two streams: 1) examining the near term to 30 June 2021 to look at what productivity and output can be relied upon. In response to this, the LSP has provided its best estimates for what is able to be achieved throughout the loan processing pipeline; 2) renegotiation of the contract for effect from 1 July 2021. The parties recognise the current agreement is not fit for purpose and have agreed to the task of renegotiation. The LSP has provided the RIC with a broad outline of dates and times to keep that negotiation process on task.
- The RIC has sought to establish its own internal capability to deal with the full loan process from application to settlement. A trial is in place which has progressed to loan approval stage and moving into settlement. Early analysis shows productivity gains and capability exists. In light of this, budget resources have been provisioned and the RIC is gearing up its workforce, predominantly through external labour service arrangements.

► 4. Implementation and change management

- Project Management, governance model and cadence of meetings are established. Monthly Steer Co. report developed.
- Agile project methodology in place.
- Resource onboarding, training and ramp up following recruitment is underway.
- Staff pulse check in place from November measuring level of engagement and understanding of the project, its success metrics and progress over time. Only 20% of the organisation felt they had a low level of understanding of the transformation project.

► 5. Technology roadmap & strategy

- The CRM will facilitate RIC ownership of customer experience and reduce customer effort across the process. The RIC proposes to load its loan book into Salesforce to enhance the RIC's customer service capability and reporting.
- IRAP assessment and Penetration testing of online form MVP 1 (The AgriStarter online form) is complete.

► 6. Enablement functions

- Enablement functions of RIC continue to support progress and business-as-usual activity.

Next Steps

- The Transformation Strategy is being executed in an iterative, Agile manner.
- By adopting an Agile approach to delivery, the RIC Transformation Program consists of multiple discrete projects which add incremental value with each release.

Next Steps

- include reporting on aged files and the end-to-end trial as separate cohorts
- prioritise the digitisation of application forms for all products
- improve management of lapsed applications through digitisation and tracking
- leverage Salesforce to drive metric reporting
- align SteerCo metrics and flight plan updates with the monthly departmental report
- dashboards are under development to ensure all stages of the loan approval and settlement process are monitored and to allow blockages to be identified and managed. This will be critical to moving to 80% of loans being processed within 65 days. A 'Stop the Clock' capability will be introduced to account for delay days.

Examples of Potential follow-on projects following the successful launch of AgriStarter Loan application form :

Project 3 – Master Service Agreement for ongoing CRM support (6 months initially)

Project 4 – Operational efficiencies

Project 5 – Introduce capability to pre-populate online form

Project 6 – Online Agbiz, Agrebuild, Drought, Farm Investment application form

Project 7 – Load of historical loan book into Salesforce

Project 8 – Host RIC Loan Application on MyGov

Project 9 – Data/Reporting Improvement

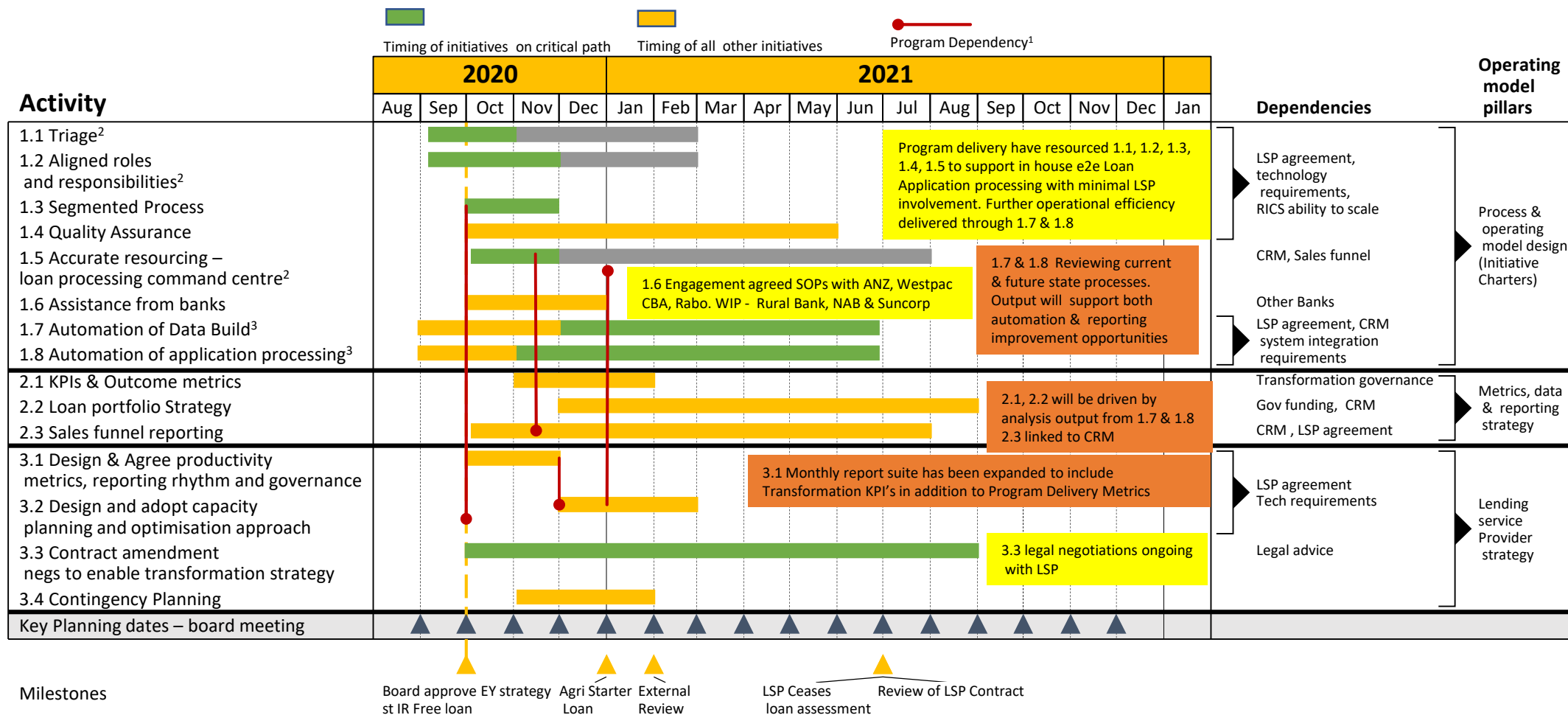
Project 10 – Digital Identity Verification

Project 11 – Contact centre at RIC

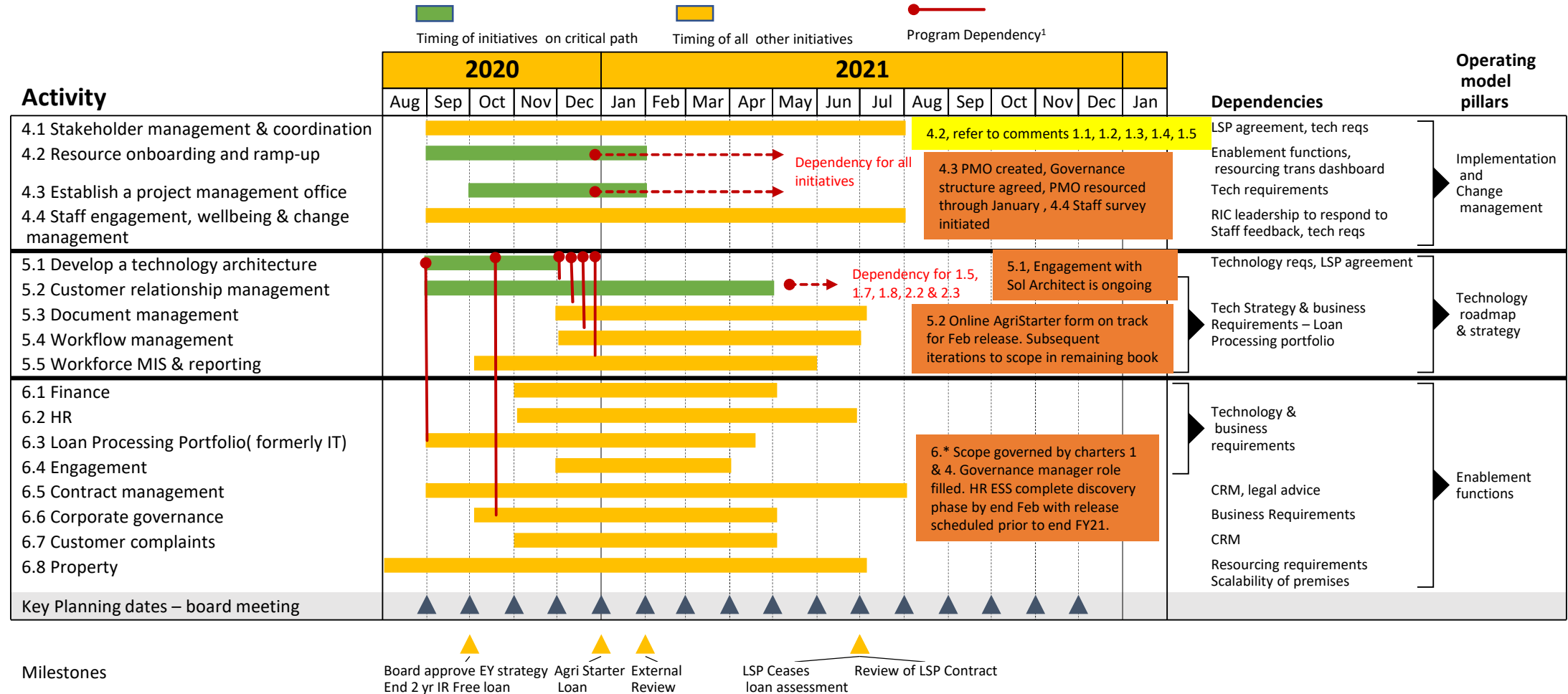
Project 12 – User experience improvements

Due to the Agile project methodology, the exact projects and overarching architecture development provided above is indicative only.

February Transformation flight plan forms a critical path around CRM, LSP contractual amendments, resourcing and infrastructure enablers (1/2)



February Transformation flight plan forma a critical path around CRM, LSP contractual amendments, resourcing and infrastructure enablers (2/2)



¹Circle end of the line points to the dependency for the program on the end of the line without a circle³ Green bar indicates extended scheduled, now critical path, to implement CRM, Salesforce and digital AgriStarter form on Salesforce with no ABS dependency

Progress – Align roles and responsibilities

RIC Program Delivery Roles

Program Delivery is now operating in three teams: Customer Delivery; Credit; and Customer Fulfilment and Strategic Risk Management. Each team is broken into pods with staff specialising in particular loans or process points to ensure efficiencies can be gained. This allows for a thorough understanding of file types and in-depth knowledge of individual customer situations. It also reduces hand-offs to other staff along the process, eliminating additional re-learning and reducing queue times.

Customer Delivery Team	Credit Team	Customer Fulfilment & Strategic Risk Management
<p>Role: Assesses, communicates and supports customers, remains as the customer point of contact across the life of the application journey. This team has formed specialised pods across AgBiz, Drought, AgriStarter and Farm Investment loans.</p>	<p>Role: The team operates across four specialisations:</p> <ul style="list-style-type: none"> • Internal RIC assessment team • Triage and declines team • Streamlined process • Full assessment process 	<p>Role:</p> <ul style="list-style-type: none"> • Documentation and settlements • Quality assurance • Complaints • Workflow- managing timelines • Aftercare, annual reviews • Training of team members

Strike Teams – All areas

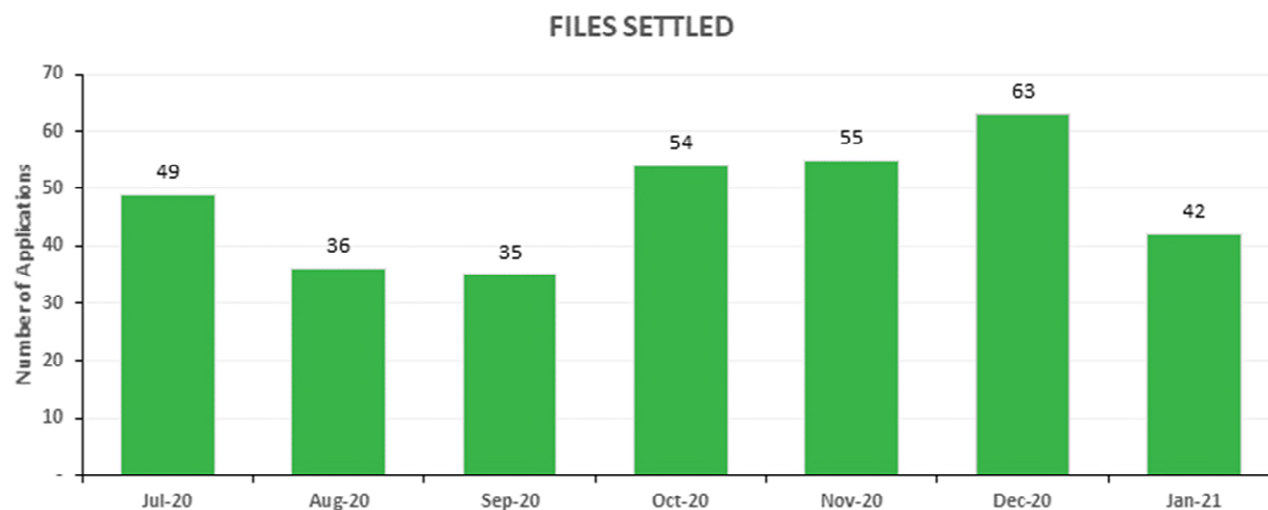
Strike teams are in force across all three Program Delivery teams and are focused on four particular types of applications:

- **E2E trial** – Has allowed the RIC to control and co-ordinate the full process that eliminates handoffs and reduces queues.
- **Aged files**- This team is concentrating on closing out aged files. Results have been encouraging as seen on slide 19-20.
- **AgRebuild**- This team is focused on closing out all AgRebuild loans. *This has currently being paused as we await funding confirmation.*
- **AgBiz**- This team is focused on closing out all AgBiz loans in the system. We have seen increased numbers of applications pass through each step of the process per month.

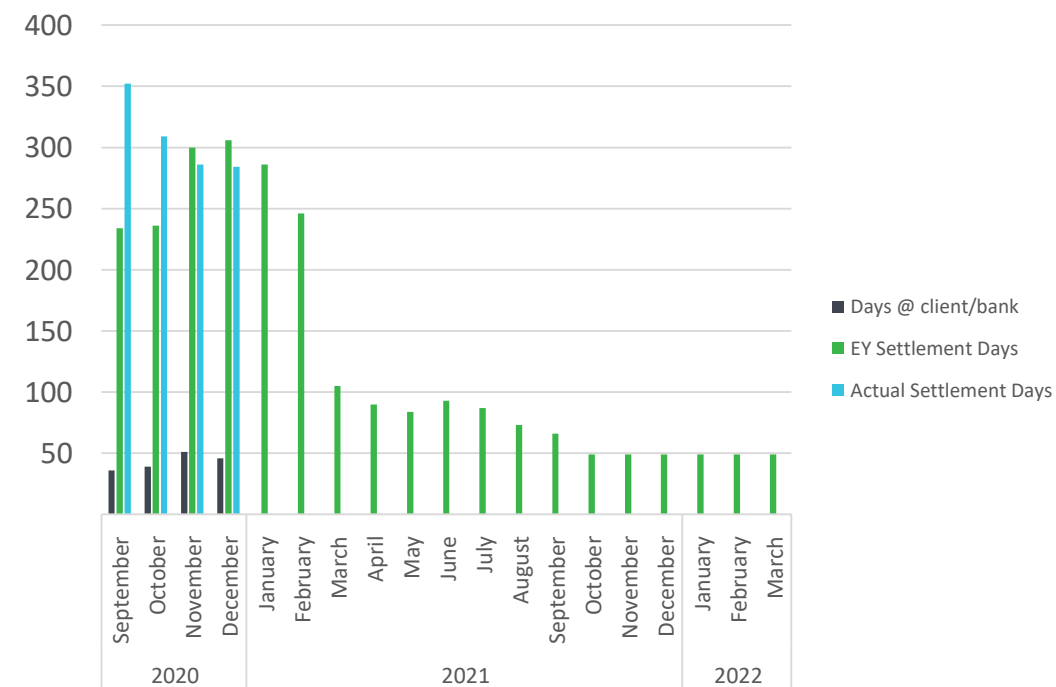
Progress – settlements, approvals and decisions

Settlement – \$ volume and settlement days

@ 31 January 2021



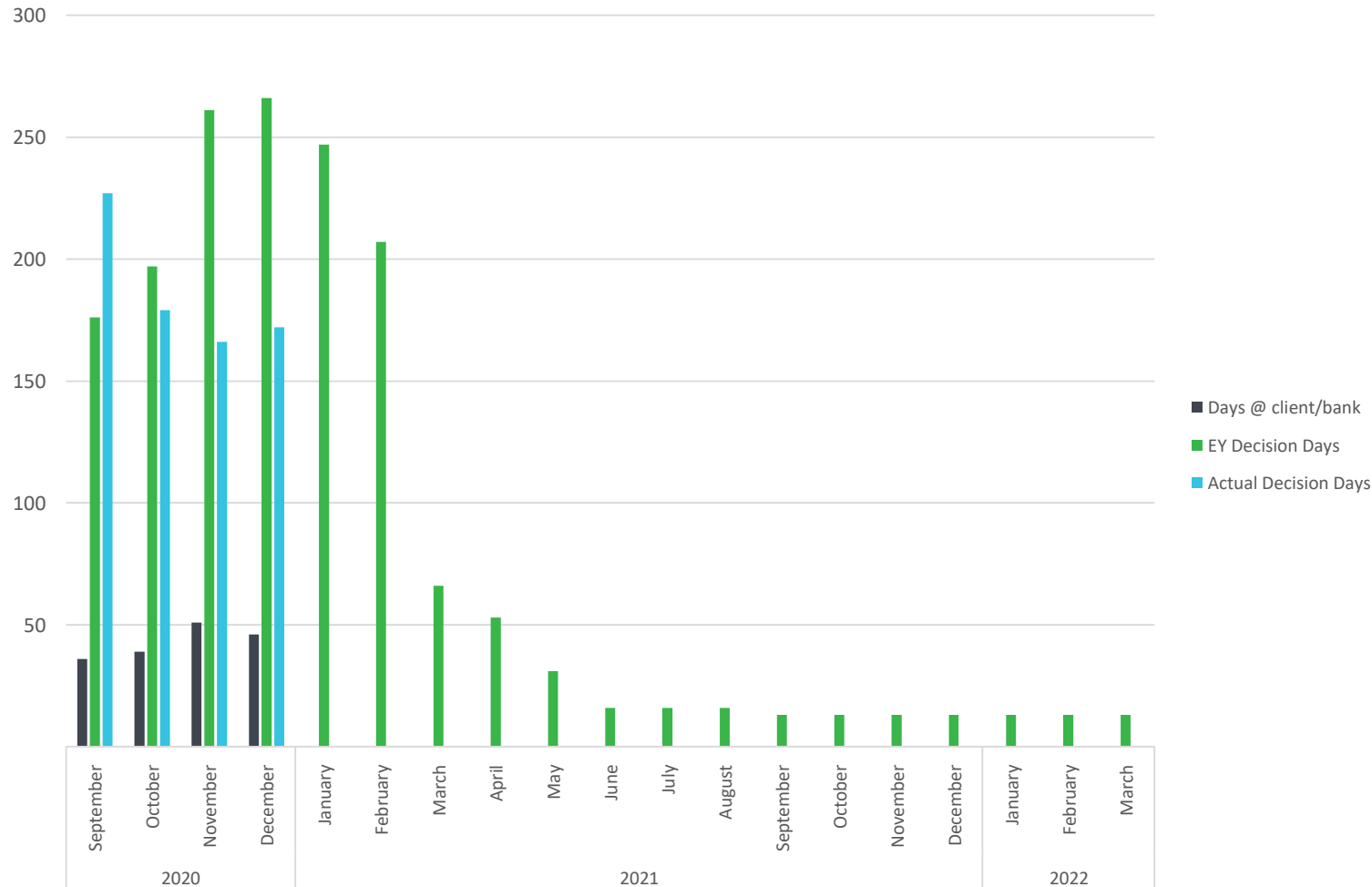
Since July 2020, the RIC has had an increase number of settlements. Settlements were affected throughout January due to the holiday period. Settlement days are also trending down.



Across the September to December 2020 period, there was a 19% reduction in median days to settlement. At December, the RIC was tracking 7% ahead of EY's forecast median days to settlement.

Loan process improvement – median days to decision

@ 31 December 2020

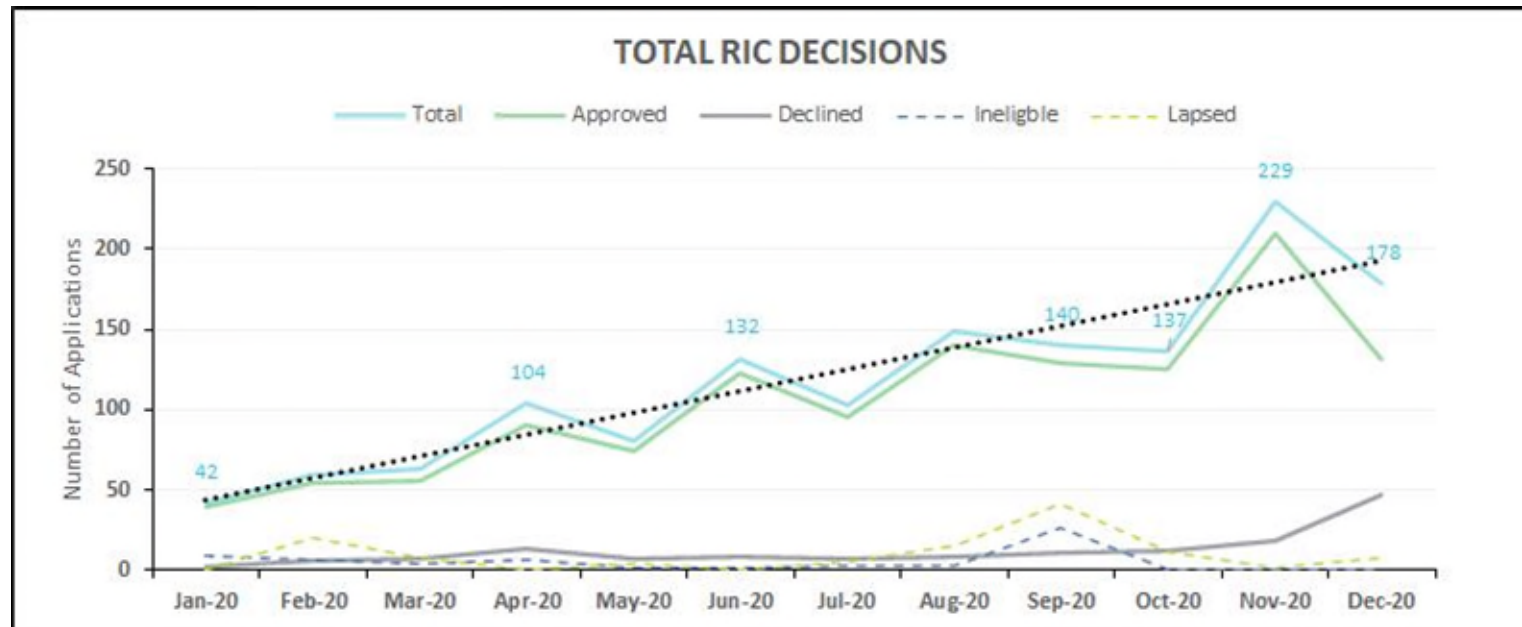


From September to December 2021, there was 24% reduction in total median days to decision.

When compared to EY's forecast of median days to decision at December 2020, the RIC is tracking 35% ahead of that forecast.

Loan approvals and decisions

@ 31 December 2020



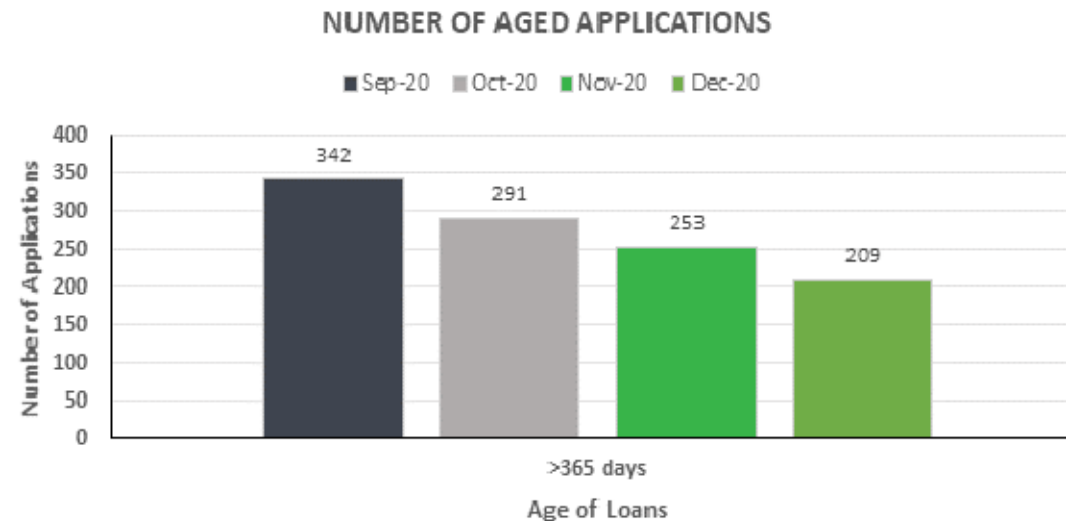
Decisions per month are trending upwards, although we saw a drop due to holiday period. In December there are only 16.5 business days compared to 21.5 in other months.

The streamlined risk matrix with credit decisions based on level of risk and complexity has proven to accelerate decisioning times, which is evident in November. Consequently, this has also increased the number of declines as we prioritise applications in most financial need.

Progress – closing out aged files

Closing out aged files

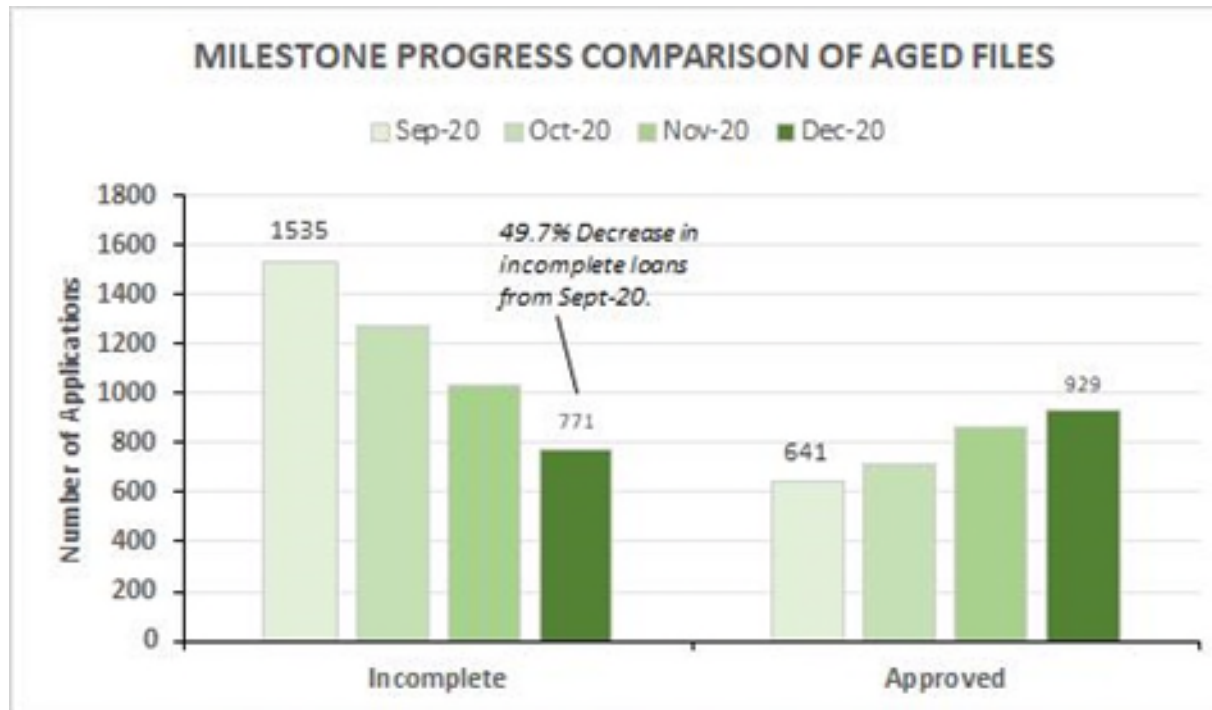
@ 31 December 2020



This chart compares on a month-by-month basis the progression of aged files that have not settled as of 3/02/2021. The RIC is working on illustrating the number of customer delay days which can often represent a significant component of aged file delay days.

Closing out aged files

@ 31 December 2020



This chart compares on a month-by-month basis the progression of aged files that have not settled as of 31 Dec 2020. For example, in Sep-20, there were 1535 files that had not settled that are older than 65 days. Those files have since progressed in Oct-20 – and so on. The graphs illustrate the specialisation of teams in Program Delivery is achieving results.

We have been able to reduce the number of incomplete files in the system by 49.7% during Sep to Dec 2020, and approvals have increased by 31% across the same period.



Thank you

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