



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

**2011-12 FINANCIAL AND PERFORMANCE OUTCOMES
GENERAL QUESTIONNAIRE**

DEPARTMENT OF TREASURY AND FINANCE

RURAL FINANCE CORPORATION

SECTION A: Output variations**Question 1**

Please provide copies of all of your department's/agency's annual plans, business plans, strategic plans, corporate plans or similar relating to 2011-12 (these are requested in accordance with Section 28(1) of the *Parliamentary Committees Act 2003*) unless they are online. If they are online, please specify the document name and web address:

Document	Web address:
Corporate Plan 2011-14	N/A

SECTION C: Revenue and revenue foregone**Question 14**

Please explain and detail the impact of any variances greater than ± 10 per cent between the prior year's actual result and the actual result for 2011-12 for:

- (a) each revenue/income category detailed in your operating statement; and
- (b) the total revenue/income in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Revenue category	2010-11 actual	2011-12 actual	Explanations for variances greater than ± 10 per cent	Impact of variances
Net Interest Income	\$53.742M	\$60.293M	Increased loan book and interest margins	Higher dividend and tax payments to Victorian government
Total income from operations	\$57.095M	\$63.346M	Increased loan book and interest margins	Higher dividend and tax payments to Victorian government

Question 15

Please explain and detail the impact of any variances greater than ± 10 per cent between the initial budget (**not** the revised estimate) and the actual result for 2011-12 for:

- (a) each revenue/income category detailed in your operating statement; and
- (b) the total revenue/income in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Revenue category	2011-12 Budget	2011-12 actual	Explanations for variances greater than ± 10 per cent	Impact of variances
Net Interest Income	\$59.462M	\$60.293M	N/A	N/A
Other Income (fees, administration of Government support and industry restructure programs)	\$3.359M	\$3.053M	N/A	N/A
Total income from operations	\$62.821M	\$63.346M	N/A	N/A

Question 16

Please provide an itemised schedule of any concessions and subsidies (revenue foregone) (see the Explanatory Memorandum for a definition of concessions and subsidies) provided by your organisation in 2011-12. For each item, please:

- (a) describe the purpose of the concession/subsidy;
- (b) explain any variations greater than ± 10 per cent between the actual expenditure and the initial budget for the year;
- (c) indicate the number of concessions/subsidies granted in each category; and

- (d) explain whether the outcomes in the community¹ expected to be achieved by granting these concessions or providing these subsidies have been achieved.

Concession/ subsidy	Purpose	2011-12 Budget	2011-12 actual	Explanations for variances greater than ±10 per cent	Number of concessions/subsidies granted in 2011-12	Outcomes achieved
Young Farmers' Finance Scheme	Discounted lending rates to enable purchase of property for young farmers	\$1.3M	\$1.4M	N/A	101	Supported young farmers by enabling cheaper purchase of stock equipment and land

¹ 'outcomes' are the impact of service delivery on the community rather than a description of the services delivered

SECTION D: Expenditure

Question 18

Please explain and detail the impact of any variances greater than ± 10 per cent between the prior year's actual result and the actual result for 2011-12 for:

- (a) each expenditure category detailed in your operating statement; and
- (b) the total expenditure in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Expenditure category	2010-11 actual	2011-12 actual	Explanations for variances greater than ± 10 per cent	Impact of variances
Total operating expenses	\$16.370M	\$18.260M	Growth in operating expenses is in line with the growth in income.	2011-12 expenses are higher than previous year.
Employee benefits & labour on-costs	\$10.715M	\$11.775M	Increase in number of employees in line with growth in business.	2011-12 expenses are higher than previous year.
Occupancy	\$0.841M	\$0.901M	N/A	N/A
Office	\$0.700M	\$0.694M	N/A	N/A
Professional fees	\$1.195M	\$1.319M	Costs incurred for the new IT Banking Platform development	2011-12 expenses are higher than previous year.
Promotions and marketing	\$0.953M	\$1.223M	Investment in the new website design and brand strategy	2011-12 expenses are higher than previous year.
Information Technology	\$0.172M	\$0.209M	Increase in software licence fees	2011-12 expenses are higher than previous year.
Depreciation and amortisation	\$0.745M	\$0.843M	Leasehold (office) improvements done throughout the year and an increase in the number of motor vehicles in line with staff increases	2011-12 expenses are higher than previous year.
Insurance	\$0.210M	\$0.217M	N/A	N/A

Bank fees and charges	\$0.193M	\$0.218M	Higher transaction and VISA fraud detection fees	2011-12 expenses are higher than previous year.
Motor vehicle	\$0.380M	\$0.402M	N/A	N/A
Profit/Loss on sale of assets	\$0.029M	\$0.059M	Lower trade in prices on motor vehicles	2011-12 expenses are higher than previous year.
Other	\$0.237M	\$0.400M	Unexpected VISA fraud activity	A limited number of VISA cards issued to customers were affected by 'card skimming'. Controls have been tightened since, and with Cuscal providing increased protection under a new VIGIL fraud monitoring system, no further instances have been recorded.

Question 19

Please explain and detail the impact of any variances greater than ± 10 per cent between the initial budget (not the revised budget) and the actual result for 2011-12 for:

- each expenditure category detail in your operating statement; and
- the total expenditure in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Expenditure category	2011-12 Budget	2011-12 actual	Explanations for variances greater than ± 10 per cent	Impact of variances
Total operating expenses	\$17.778M	\$18.260M	N/A	N/A
Employee benefits & labour on-costs	\$11.812M	\$11.775M	N/A	N/A
Occupancy	\$0.913M	\$0.901M	N/A	N/A
Office	\$0.711M	\$0.694M	N/A	N/A

Professional fees	\$0.702M	\$1.319M	Costs incurred for the new IT Banking Platform development.	Adverse effect on 2011-12 net operating result.
Promotions and marketing	\$1.110M	\$1.223M	N/A	N/A
Information Technology	\$0.297M	\$0.209M	Under budget due to the delayed timing of the new IT system	Positive effect on 2011-12 net operating result.
Depreciation and amortisation	\$1.048M	\$0.843M	Under budget due to the delayed timing of the new IT system	Positive effect on 2011-12 net operating result.
Insurance	\$0.231M	\$0.217M	N/A	N/A
Bank fees and charges	\$0.174M	\$0.218M	Higher transaction and VISA fraud detection fees	Adverse effect on 2011-12 net operating result.
Motor vehicle	\$0.409M	\$0.402M	N/A	N/A
Profit/Loss on sale of assets	\$0.048M	\$0.059M	Lower trade in prices on motor vehicles	Adverse effect on 2011-12 net operating result.
Other	\$0.323M	\$0.400M	Write off of VISA fraud activity	Adverse effect on 2011-12 net operating result.

Question 21

Please provide details of any evaluations of grants programs that were conducted by your department/agency in 2011-12, including any findings about:

- (a) the outcomes in the community² achieved by the programs; or
- (b) the effectiveness of grants at achieving planned outcomes compared to other modes of service delivery.

Grant program	Evaluation conducted	Outcomes achieved	Effectiveness as a mode of service delivery
Nil	N/A	N/A	N/A

² 'outcomes' are the impact of service delivery on the community rather than a description of the services delivered

Question 24

Please detail all measures introduced to increase efficiency in 2011-12, including the cost of introducing each measure and the estimated savings as a result of the measure in 2011-12.

Efficiency measure	Cost of introduction	Estimated savings as a result
Increased documentation of procedures	\$22,500	10 mins per grant application
Semi automation of manual spread sheets	\$3,000	50 mins per loan application
Reduced form duplication	\$6,000	10 mins per loan application

SECTION E: Public sector workforce**Question 26**

Please detail the total full-time equivalent number of staff in your department/agency as at 30 June 2011 and 30 June 2012 in each of the following bands of levels, and explain the changes from one year to the next:

Level	Total FTE (30 June 2011)	Total FTE (30 June 2012)	Explanation for changes
VPS Grades 1-3	N/A	N/A	N/A
VPS Grade 4	N/A	N/A	N/A
VPS Grades 5-6 and STS	N/A	N/A	N/A
EO	N/A	N/A	N/A
Total of all staff (including non-VPS grades) #	106.95 Plus 5.3 Agency Temps	108.95 Plus 3.2 Agency Temps	Maternity leave contracts increased FTE. Agency temps decreased due to less work in government programs area

All Rural Finance staff are on individual contracts and the grading system does not apply.

Question 27

In the tables below, please detail the salary costs for 2011-12, broken down by ongoing, fixed-term and casual and explain any variations greater than 10 per cent between the years for each category.

Employment category	Gross salary 2010-11	Gross salary 2011-12	Explanation for any variations greater than ±10 per cent
	(\$ million)	(\$ million)	
Ongoing	\$7.7M	\$7.8	N/A
Fixed-term	\$0.0M	\$0.2	N/A
Casual	\$0.4M	\$0.3	N/A
Total	\$8.1M	\$8.3	N/A

Question 30

- (a) For what roles within your organisation were contractors or contract staff used in 2011-12 (refer to Explanatory Memorandum for definition of contractors)?

Communications, IT, administration, HR / recruitment, legal, strategic planning.

- (b) Please itemise the services delivered by contractors or contract staff in 2011-12:

Service category	Number of contractors/contract staff	Value of services (\$)
Communications	2	\$28,408
IT	5	\$50,498
Administration	3	\$24,090
HR / recruitment	9	\$125,615
Legal	3	\$22,682
Strategic planning	2	\$81,017

- (c) For each specific contractor or contract staff paid in excess of \$100,000 per annum that has been engaged by your organisation during 2011-12, please supply the following details:

Supplier	Purpose	Value of services (\$)	Number of contractors/contract staff (FTE) employed for longer than 12 months	Reasons why a VPS employee or equivalent could not undertake the work
N/A	N/A	N/A	N/A	N/A

Question 31

- (a) For what roles within your organisation were consultants used in 2011-12 (refer to Explanatory Memorandum for definition of consultants)?

Advice in relation to PPS, one off task of contract negotiation for new banking platform, prospective staff assessments, process Improvement project, assistance with due diligence process to select new banking platform, innovation project, advice and assistance in relation to a Young Farmers Investment Scheme, financial advisory services, strategic direction assistance with Board, National Consumer Credit Advice, assistance with review of credit processes, assistance with strategic planning and assistance with strategic planning - Government Programs.

- (b) Please itemise the services delivered by consultants in 2011-12:

Service category	Number of consultants	Value of services (\$)
Support for the due diligence and selection process for a new	1	\$404,600

transaction platform		
Legal assistance for new transaction platform and Personal Property Securities Act requirements	2	\$142,401
Advice and assistance in relation to a Young Farmers Investment Scheme	1	\$75,000
Assistance and advice in relation to a review of credit processes	1	\$55,861
Financial advisory services	1	\$50,000
Assistance with strategic planning	3	\$31,000
Recruitment – prospective staff assessment	3	\$13,645
Process improvement project	1	\$8,402
Legal - National Consumer Credit Advice	1	\$1,500

(c) For each specific consultant paid in excess of \$100,000 per annum that has been engaged by your organisation during 2011-12, please supply the following details:

Supplier	Purpose	Value of services (\$)	Number of consultants (FTE) employed for longer than 12 months	Reasons why a VPS employee or equivalent could not undertake the work
Byron Consulting Pty Ltd	Assistance with due diligence process to select new banking platform	\$404,599	N/A	Specialised field of work that required the resources of a consulting agency.

Question 32

Please complete the following tables showing number of executive staff and total value of bonuses paid in the 2011-12 performance periods:

Executive category	Number of staff (FTE)			Total value of bonuses paid (\$)
	Eligible for a performance bonus	Not awarded bonus payment	Awarded bonus payment	
Secretary or CEO, EO1 – Deputy ^(a)	11	0	11	\$301,182
EO2 ^(a)	N/A	N/A	N/A	N/A
EO3	N/A	N/A	N/A	N/A

Other Executives	N/A	N/A	N/A	N/A
Other staff	99	48	51	\$155,500

Note (a): Combine categories to preserve confidentiality where necessary

Question 33

In the following table, please show for your organisation the actual range of bonuses paid in 2011-12 (expressed as a percentage of total remuneration).

Rating	Proportion of total remuneration package actually paid (expressed as a range from x% to y%)
Exceptional	10.8%
Superior	N/A
Competent	N/A
Improvement required	N/A

The above format is based on the Executive Employment Handbook. If your organisation adopted another approach for awarding bonuses, please provide details.

N/A

Question 34

Please detail the number of executives who received increases in their remuneration in 2011-12, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives' salaries increasing in each bracket.

Increase in base remuneration	Number of executives receiving increases in their base rate of remuneration of this amount	Reasons for these increases
0-3 per cent	9	In line with Premier's determination for maximum annual salary increase.
3-5 per cent	2	Increase/change in role function/responsibility.
5-10 per cent	N/A	N/A
10-15 per cent	N/A	N/A
greater than 15 per cent	N/A	N/A

SECTION F: Program outcomes

Outcomes reflect the impact on the community of the goods and services provided by a department. The questions in this section all relate to the outcomes that your department/agency contributed to in 2011-12.

Question 36

- (a) Using the format of the table below, please outline the five most important outcomes in the community³ achieved by your organisation's programs/activities in 2011-12 (where your organisation has been the key player) including:
- (i) what was planned;
 - (ii) what was achieved;
 - (iii) quantitative or qualitative data to demonstrate this achievement;
 - (iv) any other Victorian public sector organisations or agencies from other jurisdictions that have worked across organisational boundaries to contribute to this outcome; and
 - (v) the relationship of these outcomes to any government strategies or goals.

Planned outcome to be achieved	Description of actual outcome achieved	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1. Provide financial solutions for targeted regional agribusinesses.	RF continued to play a major role in the development of regional Victoria by offering primary producers and agribusiness finance for a wide range of purposes including land purchase, plant and equipment and working capital.	RF performed very well achieving loan book growth of over 6% which was more than double the industry system growth. Enhanced Young Farmers Finance Scheme which received a 50% increase in funding in 2011 and was fully utilised.	N/A	N/A
2. Provide an enhanced return on equity from a credit worthy	RF achieved a record profit for the financial year ending 30 June	<u>Financial Results to 30/6/12:</u>	N/A	N/A

³ 'outcomes' are the impact of service delivery on the community rather than a description of the services delivered

portfolio while preserving our cost to income ratio.	2012.	Return on equity 11.7% Net profit after tax \$30.5 million Cost to income ratio 29% Return to Government \$45 million No bad debts		
3. Provide advice to Government and enhance our role as an effective administrator of Government Programs.	Administration of Government Programs such as exceptional circumstances, land buyback of flood affected properties, support in relation to Banksia collapse and flood grants.	Successful delivery of programs.	Goulburn-Murray Water Corporation Coliban Water Department of Primary Industries Regional Development Victoria Department of Sustainability and Environment North Central Catchment Management Authority	
4. Develop our current systems and processes to provide greater flexibility to meet the needs of clients and staff.	Continued improvement in processes and initial steps towards a new core transaction platform completed.	Various process improvements implemented and others well progressed. Selected preferred supplier for a new core transaction platform.	N/A	N/A
5. Utilise the Victorian Agriculture Production knowledge repository to add value to stakeholders.	Utilised our Victorian Agriculture Production repository to add value to our stakeholders (clients and Government)	Regular client information sessions and communications. Provided industry updates to the Government via our DTF contacts.	N/A	N/A

(b) Please also identify any significant program outcomes that were planned but not achieved in 2011-12 and the underlying reasons.

Outcome not achieved	Explanation
N/A	N/A