



Australian Government
Indigenous Business Australia

CORPORATE PLAN 2016-17



Our vision is for
a nation in which the
First Australians are
economically independent
and an integral part
of the economy.

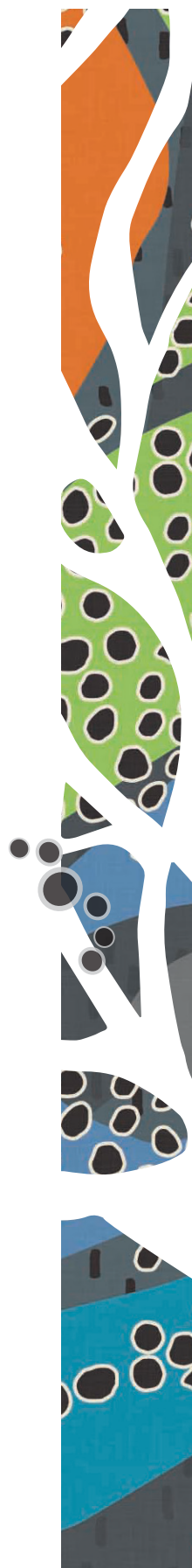
About the design

Mazart Design Studio is a Supply Nation certified small business. The studio's managing director and senior designer, Jodie Brennan, is a proud descendant of the Gomeroi people of western New South Wales.

The cover design, *Gathering across Country*, depicts the waterways and root systems which connect our community and our journeys across our lands. The black lines represent the flowing rivers and the blood line of our people, both past and present, who continue to be the custodians of the land. The coloured shapes depict the roots of trees and rivers that meander together to create life, nourish our bodies and souls, and maintain our flourishing landscape.

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INTRODUCTION

As the accountable authority of Indigenous Business Australia (IBA), the IBA Board presents the 2016–17 Corporate Plan, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The plan is consistent with the obligations arising from IBA's enabling legislation, the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act), and was prepared in accordance with the Public Governance, Performance and Accountability Rule 2014. This plan covers the period 2016–17 to 2019–20, and replaces IBA's 2015–16 Corporate Plan.

PURPOSES

Objectives

IBA's overall vision is for a nation in which the First Australians are economically independent and an integral part of the economy.

To fulfil its purposes and functions, IBA assists Indigenous Australians:

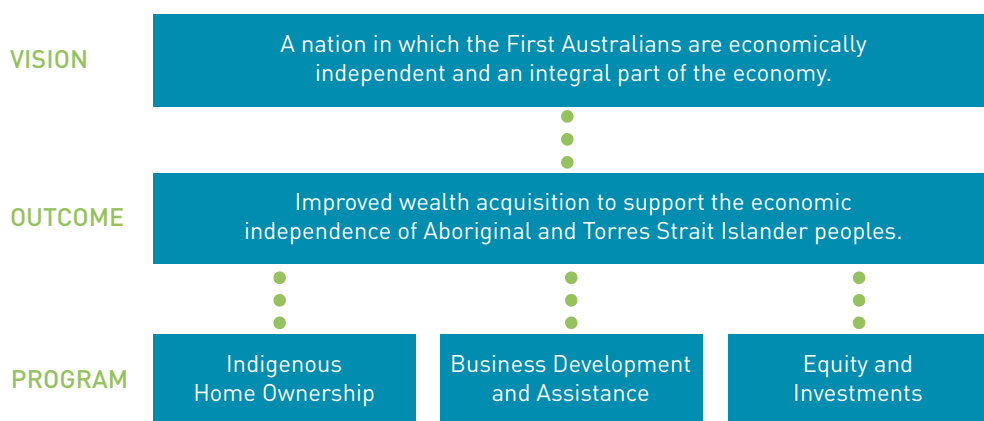
- into home ownership by providing affordable housing loans to Indigenous Australians who would generally not qualify for housing finance elsewhere —this includes addressing barriers such as lower incomes and savings, credit impairment, and limited experience with loan repayments
- to start up, acquire, grow or exit a viable business
- to achieve economic independence through investment in commercial enterprises that produce financial returns and employment, training and supply chain opportunities.

In pursuing its purposes, IBA is required under its legislation to engage in commercial activities. Figure 1 shows how IBA's programs achieve its purpose.

IBA is a commercially focused corporate Commonwealth entity under the PGPA Act and was established under the ATSI Act, of which section 146 sets out its purposes:

- *to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and*
- *to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.*

FIGURE 1: How IBA's programs achieve its purpose



Alignment with government objectives

The Australian Government's Statement of Expectations and a Commonwealth entity's Statement of Intent ensure that the responsibilities of portfolio bodies and other arms of government are well defined and aligned, and that the entity's actions are transparent and accountable.

In May 2015, IBA published on its website the Statement of Expectations for IBA issued by the Minister for Indigenous Affairs, Senator the Hon Nigel Scullion, together with IBA's Statement of Intent, following its acceptance by the Minister.

Through the Statement of Intent, IBA has committed to efficiently develop its programs with a particular emphasis on improving economic opportunities and housing outcomes.

IBA is responding to the July 2015 introduction of a specific progressive target for the Commonwealth's Indigenous Procurement Policy by re-engineering its business development model with a view to delivering more holistic, regionally based training and support services. IBA recognises that the policy represents a significant boost to demand that can only be met if Indigenous business is well supported.

ENVIRONMENT

Economic outlook

In the broad economic environment, movements in lead indicators—such as interest rates, unemployment, CPI, GDP and house prices—have a strong influence on housing affordability, the viability of businesses, and returns on investments. IBA monitors movements in these indicators to inform its risk management and planning processes.

Reserve Bank data for 2015–16 shows that rates of economic growth, unemployment and inflation have been lower than anticipated and are expected to remain low. Significant uncertainty exists, particularly with respect to China's growth outlook and its implications for high levels of debt. Reserve Bank estimates of Australian GDP growth of 2.5 per cent to 3.5 per cent are predicated on the assumption that households will respond to negligible growth in household income through reduced savings and increased borrowing.

Australia already has one of the highest levels of household debt among countries in the Organisation for Economic Co-operation and Development. There may be limits to the extent to which the economy's transition from mining to other sectors can produce a sustainable adjustment.

Compared to the experience in other developed economies, growth in wages in Australia was relatively insulated by the mining boom. However, Australia's current wages growth is at its lowest level in seventeen years and is only marginally above the inflation rate.

IBA customer profile

IBA's customer base is growing in terms of numbers and as a proportion of the Australian population. The population of Aboriginal and Torres Strait Islander peoples is experiencing increased growth in younger demographics, in particular those looking to enter the employment and housing markets.

Our customers are likely to reside in regional areas and are therefore likely to be impacted by regional economic issues such as declines in the mining and tourism sectors and locally based industries. They are also likely to rate poorly when compared to the wider population on a range of socioeconomic, health and education measures.

Home ownership

Of the 209,000 Indigenous households recorded at the last census, in 2011, 37 per cent owned their homes. This proportion has increased, from 33 per cent in 2001, but remains low when compared to the 70 per cent of non-Indigenous Australians who owned their homes in 2011. IBA faces the challenge of helping to close this gap while being mindful of risks, including the risks and challenges that potential customers face in getting into the housing market.

Risks to customers include possible declines in property prices and increases in interest rates and unemployment. Our policy of adjusting eligibility requirements to ensure that housing repayments do not give rise to financial stress (typically by limiting repayments at around 30 per cent of gross income) is an appropriate response to escalated property prices and the risk of interest rate increases. On the other hand, extending assistance to cohorts that are more sensitive to economic change invites unacceptable risk.

In December 2015, the Australian Audit Office (ANAO) tabled its audit report into IBA's home ownership program. In response to the recommendations, IBA has developed a plan which will be implemented in 2016–17 to address many of the audit findings and modernise the program and its systems.

Business ownership

At the 2011 census there were 140,000 employed Indigenous Australians, of whom 6 per cent (around 9,000) were operating businesses—a low figure compared to 15 per cent for non-Indigenous Australians. Indigenous self-employment increased by only 0.3 per cent in the ten years from 2001 to 2011 and has continued to grow at a low rate. The end of the mining boom may also disproportionately impact Indigenous business, particularly in rural and remote areas.

IBA is in a unique position to be a leader in making a significant contribution to the development of mature, contract-ready Indigenous businesses which are able to take on big opportunities in government and corporate markets. IBA's Business Development and Assistance Program is transitioning towards a more active approach in order to play a stronger role in ensuring the viability of its customer base, increasing business capability, and enabling more strategic, effective and efficient support. To achieve this, the program's way of working, location of work, organisational structure and individual roles are changing.

Investments

IBA's investment portfolio comprises three main segments: direct investments, asset and funds management, and leasing solutions. Across these segments, IBA co-invests in a wide range of investments, sectors and geographic locations, seeking to provide strong financial returns as well as employment, training and supply chain outcomes for Indigenous Australians.

As interest rates remain low and subdued economic conditions persist, there is a high level of demand for investments with attractive returns. This is resulting in increased competition for good quality businesses and assets, making it more difficult for IBA and its co-investors to acquire investments at attractive levels. It also means that the yields available in the market are relatively low, particularly in key sectors such as commercial property and tourism.

PERFORMANCE

Performance framework

Approach

IBA aspires to be an organisation that is recognised for its performance framework and measures, with leadership that drives the development and use of quality performance information and strategic planning that is centred on optimising relevant outcomes.

IBA has adopted a proactive approach to implementing a performance framework in line with the PGPA Act, which took effect in July 2015. As the framework matures, IBA will develop improved performance measures.

To further develop its existing performance framework, IBA actively seeks external input and assessment. IBA engaged Deloitte to conduct an audit of the current performance framework. The findings will be used to drive improvements in the framework. IBA also actively participates in the Department of Finance's Public Management Reform Agenda through its Community of Practice.

IBA is aware of the complexities of measuring the impacts that it aims to achieve and of the need for standard, formal measures such as social return on investment (SROI). To assist in this area, IBA is involved in cross-agency working groups on social impact measurement.

IBA is keen to improve its capacity to evaluate its programs and activities through improved use of external data such as Australian Bureau of Statistics data, including the recently published National Aboriginal and Torres Strait Islander Social Survey (NATSISS). Such quantitative and evidence-based approaches may be equally relevant to improving IBA's targeting of services, including directing resources to meet regional needs.

Reflecting the role of performance management in an iterative cycle of policy design, implementation and evaluation, IBA has specifically allocated resources to managing and developing the performance framework. In the spirit of maturing the framework, IBA intends to more tightly integrate planning and performance processes.

Figure 2 summarises IBA's purposes and policy domains and the key activities to be actively monitored and measured in applying the performance framework.

FIGURE 2: Performance framework

Purpose set out in the ATSI Act	Policy domains	IBA performance indicators
Enhance self-management and economic self-sufficiency [section 146(a)]	<p>Self-management: Aboriginal and Torres Strait Islander peoples are able to independently direct their own activities towards the achievement of their social and economic objectives—this outcome represents a form of consolidated participation in the economy</p> <p><i>Examples:</i> sustained/consolidated management of businesses; sustained management of loan repayments without assistance; control of boards; management of investment and business strategy</p> <p>Economic self-sufficiency: Aboriginal and Torres Strait Islander peoples and their businesses are able to meet their needs independently of welfare and philanthropy: for example, through having independent income streams and equity in valuable assets</p> <p><i>Examples:</i> dividends and profit; equity; commercial contracts; salaries</p>	<p>Business Development and Assistance Program</p> <ul style="list-style-type: none"> • Review operational footprint with a view to increased customer-facing regional footprint • Broaden range of business support services to include non-loan based customers <p>Equity and Investments Program</p> <ul style="list-style-type: none"> • Establish Indigenous observership and leadership program • Collaborate with the Indigenous Land Corporation in the commercial development of property on Indigenous-held land
Advance commercial and economic interests [section 146(b)]	<p>Access to economic opportunity: IBA advances Aboriginal and Torres Strait Islander peoples' commercial and economic interests by facilitating access to valuable commercial and economic opportunities</p> <p><i>Examples:</i> concessional loans; access to capital on favourable terms; access to contractual opportunities</p> <p>Effective participation: IBA advances commercial and economic interests by supporting Aboriginal and Torres Strait Islander peoples to participate effectively in the mainstream economy</p> <p><i>Examples:</i> post-loan support; commercial capacity building; financial management training; training for directors; job training</p>	<p>Indigenous Home Ownership Program</p> <ul style="list-style-type: none"> • Continue to explore a credit enhancement model as a vehicle for delivering greater capacity and driving enhanced targeting and operational efficiency • Tighten eligibility criteria by improving testing of incomes, assets, deposits and access to commercial lenders • Undertake a new customer survey to garner a fuller appreciation of customer perceptions of IBA's products and service delivery • Regularly review and report to the IBA Board on guidelines for loan approvals <p>Business Development and Assistance Program</p> <ul style="list-style-type: none"> • Broaden assistance to include support across the full business development life cycle. • Provide capacity-building support to assist Indigenous businesses to benefit from the Commonwealth Indigenous Procurement Policy <p>Equity and Investments Program</p> <ul style="list-style-type: none"> • Increase number of co-investors, with a target of at least fifteen Indigenous co-investors • Establish a renewable energy sector strategy • Establish a grocery retail sector (with six to eight investments) over the next three years • Establish a tourism sector (with eight to ten investments) over the next three years
Manage capital [section 146(b)]	<p>Capital accumulation: IBA uses its capital for the benefit of Aboriginal and Torres Strait Islander peoples and ensures that its capital base accumulates</p> <p><i>Examples:</i> targeting return on IBA capital investment; acting commercially and prudently; generating revenue; growing the portfolio in the long term</p>	<p>Indigenous Home Ownership Program</p> <ul style="list-style-type: none"> • Increase the total Indigenous Home Ownership Program capital base <p>Equity and Investments Program</p> <ul style="list-style-type: none"> • Maintain the portfolio return to IBA for the budget year • Maintain the portfolio return to IBA over rolling five years

Strategy

IBA's strategies reflect the need to move from processes centred on compliance and documentation to iterative processes centred on policy design, implementation and evaluation.

Reflecting the role of performance measurement as an ongoing management tool, IBA has expanded its set of performance measures and implemented monthly performance data collection and reporting to the Executive and Board. The frequency of reporting, together with qualitative reporting of performance, is designed to drive senior leaders' engagement with and use of performance information.

Aligned to the calendar year, IBA will pursue an evaluation and prioritisation process culminating in the development of the portfolio budget statements and corporate plan. Greater emphasis will be placed on quality assurance, ensuring that plans include appropriate, negotiated performance measures and outcomes, and that risks are well identified and mitigation plans are developed. IBA will continue to develop its planning and performance framework.

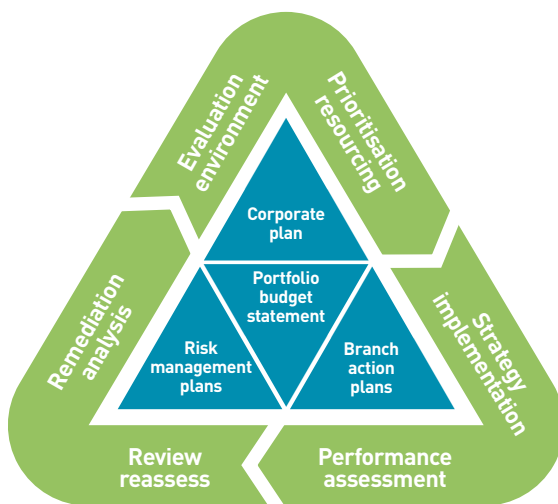
IBA will extend its work into impact assessment based on SROI principles with a view to developing performance measures that capture the outcomes for our customers that IBA is striving to achieve.

The recent publication of the NATSISS will enable IBA to extend its impact assessment: for example, to statistically evaluate our outputs (such as home ownership) against less tangible outcomes to our programs (such as school attendance). Improving IBA's capacity for such research may similarly improve our program implementation: for example, through better targeting geographic areas based on need.

An approach of rolling implementation and performance assessment throughout the year, including the qualitative consideration and reporting of risks by process owners, represents the development of a mature performance model in which senior leaders are engaged with and actively develop high-quality, strategic performance information. An iterative approach to performance measurement and assessment will allow IBA to respond to and remedy risks and underperformance.

The key elements of IBA's strategic planning framework are shown in Figure 3.

FIGURE 3: Strategic planning framework



Program performance

Indigenous Home Ownership Program

Approach

The Indigenous Home Ownership Program facilitates Indigenous Australians into home ownership through providing access to affordable home loan finance. IBA's target customers are those who can meet the long-term obligations associated with owning a home, but are unable to access home loan finance through the commercial home loan finance sector.

IBA also supports Indigenous Australians in remote communities to overcome the obstacles they experience in taking up home ownership, including, where applicable, by providing additional home ownership assistance for people who relocate to other areas to take up employment.

More than 65,000 additional Indigenous households would need to move into home ownership to equal the wider Australian home ownership rate. The Indigenous population is growing at a faster rate than the non-Indigenous population, and is expected to increase by 60 per cent from 2011 to 2031. The number of new Indigenous home owners required to bridge the gap is likely to increase at a similar rate. IBA recognises that it has an increasing role to play.

Strategies

IBA regularly reviews its program policy and settings to ensure that they remain relevant to customers' circumstances and the housing affordability issues facing first home buyers and support emerging opportunities to increase Indigenous home ownership.



IBA will undertake a number of activities in 2016–18 to better target its home lending, increase its capacity to close the gap, and deliver better and more efficient products and services. In particular, IBA will:

- refine eligibility criteria
- review its product set to ensure that it is meeting the needs of its target customers
- improve customer service by automating manual processes and reports
- implement processes to regularly review and report on the operation of IBA Board guidelines for loan approvals
- undertake a customer survey to garner a fuller appreciation of customer needs and perceptions
- investigate potential enhanced models for credit provision, particularly by the private sector.


Performance

The indicators in Table 1 measure the success of the program overall in providing home loans and related assistance to Indigenous customers and effectively managing the loan portfolio. They also measure the success of the program in targeting lending and assistance to customers as appropriate to their circumstances and needs, and facilitating home ownership in remote Indigenous communities.

TABLE 1: Indigenous Home Ownership Program performance measures

	2015–16 Estimated actual	2016–17 Budget	2017–18 Forward estimate	2018–19 Forward estimate	2019–20 Forward estimate
Number of new loans ¹	525	530	540	550	560
Value of new loans (\$m) ²	n/a	160	160	160	160
Aggregate loans in the portfolio ³	4,630	4,730	4,840	4,950	5,070
Total program capital base (\$m) ⁴	1,050	1,110	1,170	1,230	1,300
Percentage of loans to applicants who have a combined gross annual income of not more than 140% of IBA's Income Amount ⁵	85%	80%	80%	80%	80%
Percentage of loans to applicants who are first home buyers	91%	90%	90%	90%	90%
Percentage of loans for home acquisitions ⁶	n/a	96%	96%	96%	96%
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities ⁷	20	25	28	30	30

Note: Except where otherwise indicated, data for performance reporting on these indicators is extracted from the IBA loan administration database monthly and annually. Figures shown as not available (n/a) are new performance measures that have been introduced in 2016–17.



'You look forward to something to come home to after work and it's a bit of an incentive to stay at work as well'.

HOME OWNERSHIP ALWAYS SEEMED AN IMPOSSIBLE DREAM FOR DARWIN COUPLE EDWARD AND SOPHIE. BUT THEY WERE ABLE TO SECURE A LOAN WITH IBA AND ARE NOW PUTTING THE FINISHING TOUCHES ON THEIR NEW HOME.

Business Development and Assistance Program

Approach

In accordance with government and stakeholder expectations, the Business Development and Assistance Program operates as a national service to assist Indigenous Australians to start, acquire and grow viable businesses across Australia. The portfolio has historically financed a broad spread of businesses across the major geographic zones and industry sectors, and is weighted towards start-up small businesses.

As the program has matured, IBA has increasingly needed to focus on the quality of its start-up support and ways to grow established businesses to generate long-term wealth and economic independence.

Because IBA services emerging markets, its loan portfolio naturally carries higher risk than the portfolios of private sector banks. This further emphasises the need for IBA to focus on the quality of its decision-making and the support we put in place to ensure that businesses are moving along viable development pathways.

In addition, opportunities in the Indigenous business sector have grown in recent years and, consequently, the service needs of the sector have become more diverse.

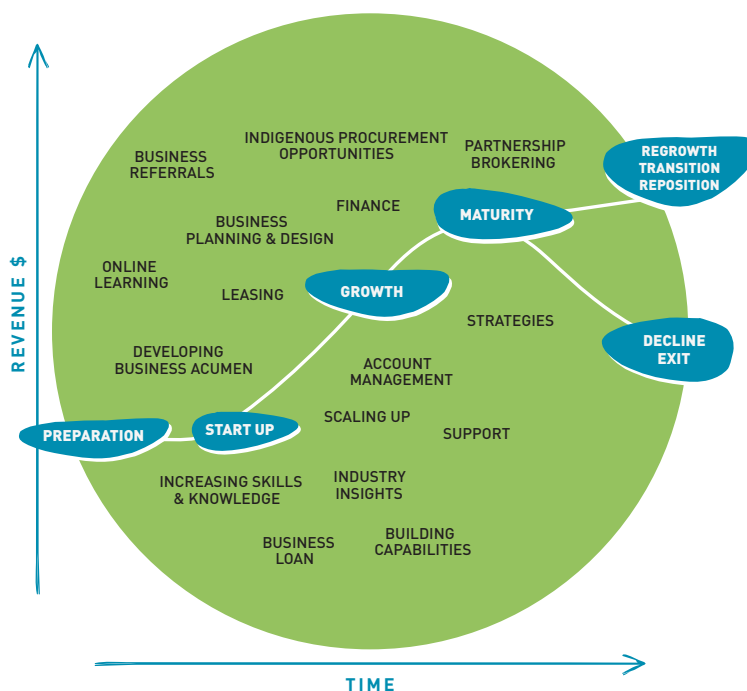


With these factors in mind, IBA is moving to transform the program in step with the growth of the Indigenous business sector. The program is being reorganised to broaden and deepen IBA's capability to assist Indigenous businesses from start-up through to consolidation and growth. Figure 4 summarises the key elements of this process.

IBA is also building a specific capability to support the growth and diversification of established businesses by assisting them to access supply chain and procurement opportunities. These initiatives will have the combined effect of mitigating portfolio risk and ensuring that the program is more effective in assisting the Indigenous business sector to grow.

IBA will adopt a similarly holistic approach to customer needs, providing assistance across the business development life cycle, including the development of business proposals and risk management. Continued development and deployment of IBA's customer relationship management system will enable a more customer-centric approach as well as routing of customer requirements to the relevant areas of expertise within IBA.

FIGURE 4: IBA and the business life cycle



Strategies

Over the life of this corporate plan, IBA will:

- increase the commercial capability of Indigenous entrepreneurs through training, business support, advice and mentoring, tailored to individual business development pathways
- meet the diverse capital needs of Indigenous entrepreneurs, from start-up to expansion, through enhanced financial products and services, including in partnership with the banking sector

- develop procurement workshops to support Indigenous businesses to enter the supply chain opportunities created by the Indigenous Procurement Policy
- focus the efforts of our frontline staff based in the regions on finding, developing and supporting Indigenous entrepreneurs as they look to establish and grow businesses.

In the start-up stage of business in particular, IBA is shaping its services to better develop our customer base and create the best opportunities for success in business. Initiatives include conducting business information sessions, online learning modules, and educational workshops.


Performance

IBA has developed a broad set of performance measures to cover its full range of business development activities. These are listed in Table 2.

TABLE 2: Business Development and Assistance Program performance measures

	2015–16 Estimated actual	2016–17 Budget	2017–18 Forward estimate	2018–19 Forward estimate	2019–20 Forward estimate
Number of loans approved for new customers	36	50	50	50	50
Number of existing IBA loan customers who receive an additional loan	13	25	25	25	25
Number of Indigenous people in jobs created/ supported by IBA business loan customers ⁸	599	430	470	510	550
Percentage of loan customers still in business one year after commencing business ⁹	91%	85%	85%	85%	85%
Percentage of loan customers still in business two years after commencing business ⁹	78%	75%	75%	75%	75%
Percentage of loan customers still in business three years after commencing business ⁹	69%	70%	70%	70%	70%
Number of business information sessions delivered	n/a	50	50	50	50
Number of start-up workshops delivered	n/a	35	35	35	35
Number of growth workshops delivered	n/a	20	20	20	20
Number of procurement workshops delivered	n/a	12	12	12	12
Number of customers who receive initial assessment of their business ideas from IBA staff	n/a	600	600	600	600
Number of customers who receive further support from IBA staff to develop their business ideas	n/a	300	300	300	300
Number of external business support provided to loan and non-loan customers	93	150	150	150	150
Number of Indigenous organisations (PBCs) receiving business development assistance ¹⁰	n/a	12	12	12	12
Number of customers in regional and remote Australia receiving business support and/or loan services ¹¹	196	245	245	245	245
Percentage of Indigenous people employed in delivery of the program	20%	25%	28%	31%	35%
Percentage reduction in overhead costs	n/a	3%	n/a	n/a	n/a
Customer survey satisfaction	n/a	80%	80%	80%	80%

Note: The measurements in this table are part of a 12-month contract arrangement with the Department of the Prime Minister and Cabinet. Figures shown as not available (n/a) are new performance measures that have been introduced for 2016–17.



'That's when it went from me being an average Joe with a ute to buying machinery, hiring staff and so on'.

WITH ASSISTANCE FROM IBA, STEPHAN IS TAKING ADVANTAGE OF MORE OPPORTUNITIES THAN EVER WITH HIS TUFF YARDS LANDSCAPING AND EARTHMOVING BUSINESS.

Equity and Investments Program

Approach

IBA identifies, develops, and participates in investment opportunities that promote economic independence for Indigenous Australians by building and managing a substantial portfolio of sustainable investments diversified by industry and geography. These investments collectively benefit Indigenous Australians through the generation of financial returns, commercial capability, employment, training, and supply chain opportunities.

Typically, alongside Indigenous co-investors and other third parties, IBA invests through a range of companies and trusts. Subsidiaries' accounts are consolidated into IBA's accounts, and details concerning each investment are included in IBA's annual report.

IBA has developed a corporate governance framework and related policies which set out the governance expectations to which its investee businesses are subject. IBA appoints experienced nominee directors to the boards or governing bodies of investee businesses in order to ensure that they are managed prudently and in keeping with IBA's corporate governance approach.

IBA has historically had a relatively small investment customer base, reflecting its focus on bespoke joint ventures. Our current customers include land council subsidiaries, traditional owner groups, native title groups and Indigenous community/not-for-profit organisations. Almost 50 per cent of our existing customers are community/not-for-profit organisations.



Responding to changes in the business environment, over the past two years IBA has broadened its engagement considerably in order to leverage its impact. In consultation with Indigenous groups and industry experts, we have been devising ways for IBA and its Indigenous co-investors to access more liquid and diverse asset classes, which will provide co-investment opportunities for a greater range of groups than has been previously possible.

IBA has undertaken initiatives such as the establishment of the Indigenous Investment Principles working group, engagement by IBA's Traditional Owner and Sustainability Unit, and the launch of pooled investment vehicles such as the Indigenous Prosperity Funds and the Indigenous Real Estate Investment Trust (I-REIT). These managed funds complement IBA's other investment offerings, and enable it to support Indigenous groups to establish long-term investment portfolios. This in turn provides an economic base from which they can also partner with IBA to pursue direct investments, commercial property investment and local enterprise development.

The revised strategy (for the three financial years from 1 July 2015) charts a path for appropriate asset allocation, target returns, acquisitions and divestments, which will establish the optimal asset allocation and economic impact for Indigenous Australians.

Strategies

In keeping with these aspirations, the specific priorities are to:


- grow the assets under the management of IBA's managed funds to at least \$250 million by 30 June 2018, with at least fifteen Indigenous co-investors in each of the Indigenous Prosperity Funds and I-REIT
- within the direct investments portfolio
 - continue the divestment of legacy assets that do not meet IBA's revised investment strategy or the expectations of Indigenous co-investors
 - by 30 June 2017, establish a renewable energy sector strategy which provides opportunities for Indigenous communities and organisations to benefit from solar and other renewable energy development on their land
 - over the period to 30 June 2019, build a portfolio of six to eight investments in the grocery retail sector which collectively have a turnover of at least \$100 million and generate financial returns, employment, training and supply chain benefits for Indigenous Australians
 - over the period to 30 June 2019, build a portfolio of eight to ten investments in the tourism sector which collectively have a turnover of at least \$100 million and offer domestic and international visitors the opportunity to engage with and experience Indigenous cultures and peoples in an ethical, authentic and dynamic context
 - generate financial returns, employment, training and supply chain benefits for Indigenous Australians
- alongside the Indigenous Land Corporation, support commercial development of property on Indigenous-held land, with an initial focus on three identified opportunities in Sydney, Adelaide and Perth
- continue to grow IBA's asset leasing book through the Indigenous Economic Development Trust and IBA Leasing Solutions, with a view to building a book of at least \$60 million in leased properties and assets by 30 June 2019
- by 30 June 2017, establish an Indigenous observership and leadership program across IBA's investee businesses and ventures, to provide emerging Indigenous leaders with mentoring and practical experience in business management and strategy through IBA's investment portfolio.

Performance

The indicators in Table 3 measure the program's success in generating financial returns to both IBA and Indigenous co-investors, as well as broader contributions to Indigenous economic self-sufficiency through the creation of employment opportunities. Where relevant, the performance measures relate to IBA inclusive of its subsidiaries.

TABLE 3: Equity and Investments Program performance measures

	2015-16 Estimated actual	2016-17 Budget	2017-18 Forward estimate	2018-19 Forward estimate	2019-20 Forward estimate
Portfolio return to IBA (budget year) ¹²	CPI +4% ¹³	CPI +4%	CPI +4%	CPI +4%	CPI +4%
Portfolio return to IBA (rolling five years) ¹⁴	CPI +4%	CPI +4%	CPI +4%	CPI +4%	CPI +4%
Number of Indigenous organisations supported ¹⁵	34	85	85	85	85
Equity sold/issued to Indigenous investors (\$m) ¹⁶	11	30	30	30	30
Portfolio return to Indigenous co-investors ¹⁷	CPI +4%	CPI +4%	CPI +4%	CPI +4%	CPI +4%
Percentage of Indigenous jobs supported by investment portfolio ¹⁸	25%	30%	30%	30%	30%
Percentage of Indigenous businesses supported by investment portfolio supply chain ¹⁹	5%	5%	5%	5%	5%
Aggregate Portfolio Value (\$m) ²⁰	343	330	340	350	360
Percentage of Indigenous investment in portfolio ²¹	32%	30%	30%	30%	30%



'With solar and with [population] numbers we were able to get services. We've got School of the Air now because we've got fifteen kids (back on country)'.

Graeme Smith, CEO of Manungurra
Aboriginal Corporation,
Northern Territory

IBA PURCHASED A SOLAR SYSTEM FROM INDIGENOUS-OWNED BUSINESS ALLGRID AND LEASED IT TO MANUNGURRA, ENABLING TWO ABORIGINAL COMMUNITIES TO STAY ON COUNTRY.

Resourcing

IBA is classified as a material agency in the general government sector. IBA's budget is managed through the Commonwealth portfolio budget statements and portfolio additional estimates statements process under the Prime Minister and Cabinet portfolio. The budgeted financial statements are approved by the Board and incorporated in the portfolio budget statements.

Most of IBA's consolidated operations are funded by self-generated revenue from home and business loan interest and investments. IBA receives funding from the Australian Government to assist with the operations of the Business Development and Assistance and Indigenous Home Ownership programs. The funds for IBA's investments (including all operating expenses) are generated solely from overall returns on its investment portfolio and are not appropriated from the government. Details of IBA revenue and expenses are provided in Table 4.

TABLE 4: IBA revenue and expenses

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
Funds from other sources	172,470	168,807	160,209	162,777	167,451
Funds from Government	70,808	70,238	70,270	70,261	70,296
Ordinary Annual Services	34,258	10,602	33,720	33,711	33,746
Capital Injections	36,550	36,550	36,550	36,550	36,550
Grants ²²	-	23,086	-	-	-
Program expenses	205,904	192,069	173,319	173,262	177,253
Indigenous Home Ownership	52,026	47,907	49,105	50,332	51,591
Business Development and Assistance	32,969	30,169	30,923	31,696	32,488
Equity and Investments ²³	120,908	113,993	93,291	91,234	93,174

CAPABILITY

Having a skilled and adaptable workforce, combined with the right level of capital investment in technology and information management, enables IBA to achieve its key strategies and plans. IBA's strategic planning framework (see Figure 3) outlines the integrated pathway used to achieve our purpose.

Shaping the future direction of IBA involves a combination of building our skills and improving the technology we use to deliver our services.

Workforce planning

Within its People Plan 2015–17, IBA has a number of initiatives to build individual and organisational capability. This includes the Learning and Development Framework, which has a strong focus on the professional development of staff. Key elements of the framework include core skills workshops and leadership development programs, online learning tools, mentoring support and career planning.

Complementing this approach, IBA is taking a more rigorous, targeted approach to workforce planning. This is being achieved through improved analysis and reporting of trends that can affect current and future workforce capability requirements.

Strategies to build a pool of talent and address specific business needs are part of ensuring that IBA has the capacity and capability to meet its objectives. This involves both attracting young, new talent and building on our network of skilled staff.

In particular, IBA's Indigenous Employment Strategy and Staff Mentoring Program aim to increase the depth and breadth of representation of Indigenous employees across IBA. Indigenous graduate and intern programs are key initiatives of our strategy to attract and develop new talent, improve our responsiveness to our customers and increase Indigenous employment. IBA's Cultural Engagement and Education Framework advances our staff's cultural awareness towards cultural competency.

Consistent with the objectives of IBA's Reconciliation Action Plan, our Aboriginal and Torres Strait Islander Staff Network (the Galambany Staff Network) is playing an increasingly active role within the organisation. Recognising the fundamental value that our Indigenous staff bring to the organisation, the network provides support for Indigenous staff and contributes to the development of organisational policies and procedures.

Information and communications technology

IBA's ICT Strategic Framework focuses on using information and communications technology (ICT) to improve customer service delivery, and achieving better value in return for investment in ICT. It is premised on an organisation-wide approach to maximise the support and coordination available to share expertise and fully capitalise on opportunities arising from emerging technologies.

A new financial management information system has been implemented, a customer relationship management system has been developed, and servers have been refreshed and upgraded to allow for digitisation of all of IBA's records.

Through integration and reuse, IBA challenges the traditional life cycle of ICT infrastructure, so that asset longevity can be maximised. Our strategy supports hybrid systems services, including virtual technology, that are agile and sustainable. Other strengths of our ICT infrastructure are the scalability and flexibility of these platforms.

IBA continues to focus future ICT strategy on the next generation of information management and application enhancements. Informed by an external assessment of the effectiveness of our existing ICT framework and architecture, the next ICT strategy will identify any areas of remaining weakness or obsolescent applications/systems and provide guidance on options for the future.

RISK OVERSIGHT AND MANAGEMENT

IBA maintains a positive risk culture and actively manages risk to ensure that IBA meets its business goals and maintains stakeholder confidence and trust. At an organisational level, risk management is embedded into IBA business processes (such as strategic planning, project management and decision-making by the Board and delegates).

IBA has a low appetite for risk in relation to its financial affairs, compliance and governance issues, and reputational and operational matters. However, in order to achieve its objectives and allow for innovation, IBA has a greater appetite for risk in developing its business strategy and delivering its equity and lending programs.

IBA is continually enhancing its risk management policy and framework. Significant outcomes to be achieved in 2016–17 include:

- enhanced risk tolerance measures and reporting that integrates risk management with performance management, identifies emerging issues and guides decision-making
- enhanced risk and performance capability and culture, achieved through demonstrated leadership by senior management, targeted training and alignment to individual performance agreements
- a credit policy, implemented through enhanced policies and instructions, risk-based delegations, reporting and training
- an independent governance review.

ENDNOTES

Table 1: Indigenous Home Ownership Program performance measures

- 1 Number of loans which are approved (i.e. have an approval date) in the financial year, excluding loans originally approved in previous financial years.
- 2 This new performance indicator has been introduced for 2016–17 to measure the aggregate value of new loans.
- 3 The total number of loans which are active at the end of the financial year. The active loan portfolio excludes loans which were settled early or discharged (including where those loans may have an outstanding credit or debit balance).
- 4 Balance of active loans, including accrued interest, plus the balance of funds held at bank or cash at agents, including unsettled progress payments.
- 5 Based on the number of loan approvals in the financial year where the combined gross annual income of applicants is not more than 140% of the IBA Income Amount (IIA). The IIA is equivalent to the National Average Weekly Male Earnings (NAWME) statistic published by the Australian Bureau of Statistics. The IIA is adjusted each July after reference to the most recently published NAWME figure.
- 6 This new performance indicator has been introduced for 2016–17 to report on loans made for new home ownership outcomes separately from loans made for ancillary home ownership outcomes, such as home renovations, repairs and maintenance, or to refinance loans.
- 7 Number of communities in which IBA is actively promoting home ownership in a Remote Location (as defined in IBA's program policy), through a number of planned promotional visits and information sessions, irrespective of the number of loans that may be originated in the financial year. Data is collated from monthly reports prepared by field team.

Table 2: Business Development and Assistance Program performance measures

- 8 Includes all Indigenous employees of current IBA customers (businesses with current loans from IBA).
- 9 Refers to the status of existing customers of IBA at the end of the financial year. Active loan data is extracted from the loan administration system then checked by regional offices to indicate the reason for and date of cessation, if a business has ceased trading. The information, including how long the business has been operating, is manually recorded in a spreadsheet and updated quarterly.
- 10 PBCs are Prescribed Body Corporates, defined as Native Title Related Organisations.
- 11 Includes customers supported through business loans, business support and workshops, located in outer regional, remote and very remote locations (ASGC RA 3-5).

Table 3: Equity and Investments Program performance measures

- 12 Portfolio return to IBA during the year is calculated as the after-tax return generated by IBA's share of the investment portfolio in the budget year, expressed as a percentage of the average value of IBA's share of the investment portfolio during the budget year (Portfolio Value). It excludes IBA's financial investments and the interest earned thereon.
- 13 CPI refers to the average consumer price index for Australia during the measurement period. For example, if the realised CPI for 2016–17 is 1.7%, the expected return based on a target of CPI + 4% is 5.7% (1.7% + 4%).
- 14 Portfolio return to IBA over a rolling five-year period (inclusive of the designated year) is calculated as the average of the after-tax returns generated by the investment portfolio (expressed as a percentage of Portfolio Value) in each of the past five budget years. It excludes IBA's financial investments and the interest earned thereon.
- 15 Includes current Indigenous co-investors, Indigenous co-investors to whom investments were sold during the budget year, and Indigenous investors supported through advisory services.
- 16 This new measure indicates the total amount of IBA equity sold to Indigenous investors during the budget year.
- 17 Portfolio return to IBA's Indigenous co-investors during the year is calculated as Indigenous co-investors' after-tax return generated by the investment portfolio in the budget year, expressed as a percentage of the average value of Indigenous co-investors' share of the investment portfolio during the budget year.
- 18 Total number of Indigenous people employed by employing investment portfolio entities and asset leasing customers, expressed as a percentage of total workforce, measured quarterly and averaged across those quarters to account for fluctuations in staffing levels intra-year.
- 19 Total number of Indigenous businesses supported through investment portfolio entities with direct procurement activities, expressed as a percentage of the total number of suppliers, measured quarterly and averaged across those quarters to account for fluctuations intra-year.
- 20 This new measure is the total equity value of the investment portfolio (inclusive of co-investor interests) as at 30 June 2017 and 30 June each subsequent year in the forward period.
- 21 This new measure indicates total equity held, in aggregate, by Indigenous partners and beneficiaries in the budget year, expressed as a percentage of the total investment portfolio value.

Table 4: IBA revenue and expenses

- 22 Funding provided by the Department of the Prime Minister and Cabinet to the Business Development and Assistance Program for 2016–17 is in the form of a grant. In the prior year and for future years funding is by way of appropriation.
- 23 Revenue and expenses for the Equity and Investments Program represent the consolidated revenue and expenses of IBA and its investment subsidiaries. The program does not receive any Australian Government appropriation.

IBA has taken all reasonable steps to ensure that the contents of this publication do not offend Aboriginal or Torres Strait Islander peoples.

For more information, visit IBA's website at iba.gov.au or call 1800 107 107.

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