



# IBA 2015-16 CORPORATE PLAN

Strategy towards 2019

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

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IBA respects Aboriginal and Torres Strait Islander cultures and has taken care to ensure that the contents of this publication do not offend Aboriginal and Torres Strait Islander peoples.

For more information, visit IBA's website at [iba.gov.au](http://iba.gov.au) or call 1800 107 107.

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## Cover image and internal art: Photographs of John Mangu's *Tree of Knowledge*

The artist identifies himself as a Garawirritja man and lives on Elcho Island, off the coast of Arnhem Land.

As noted by the Elcho Island Arts Centre, the *Tree of Knowledge* is a ceremonial pole that represents the sacred fig tree that grows at Dhudupu, near First Creek on Elcho Island. Traditionally, clans would gather at the sacred fig tree for bungul (ceremony). The ceremony awakens and enlivens the spirits, guiding them home. It is a symbolic ceremony of remembrance and of the passing of traditional knowledge to younger generations.

The original artwork resides in IBA's national office in Canberra and was awarded to Chris Fry by CareerTrackers in recognition of IBA's commitment to the 10x10 Program, a 10 year partnership to provide internship placements for Indigenous students.





CARBON  
NEUTRAL



MANAGEMENT  
SYSTEM



RECYCLED  
CONTENT



FOREST  
MANAGEMENT



RENEWABLE  
ENERGY

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# MESSAGE FROM THE BOARD AND EXECUTIVE

The corporate plan for Indigenous Business Australia (IBA) sets out our strategic direction and initiatives to deliver on our vision: 'a nation in which the First Australians are economically independent and an integral part of the economy'.

We work with a strong legislative purpose focused on undertaking commercial activities and working in accordance with sound business principles.

IBA embraces the challenges to improve economic development outcomes. We recognise that while IBA's outcomes to date have been very positive, taking the same approach into the future will not have the impact required to address the needs of the growing Aboriginal and Torres Strait Islander population.

Throughout the process of developing this plan, we have consulted our stakeholders to ensure that it is relevant and applicable to the needs of our growing customer base.

The IBA Board and Executive Management Team are embarking on a growth strategy aimed at making measurable inroads into closing the gap on Indigenous economic disadvantage. This plan outlines our path.



A stylized, handwritten signature of Eddie Fry in black ink.

**Eddie Fry**  
Chair, IBA



A stylized, handwritten signature of Chris Fry in black ink.

**Chris Fry**  
CEO, IBA



# INTRODUCTION



IBA Board: (back row from left) Shirley McPherson, Rick Allert, Peter Thomas, Trish Angus; (front row from left) Nareen Young, Anthony Ashby, Eddie Fry, Claire Woodley. Not pictured: Glen Brennan.

The IBA Board, as the accountable authority of IBA, presents the 2015–16 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 2015–16 to 2018–19, and replaces IBA's 2014–16 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 has four key objectives:

- facilitate increased levels of home ownership through affordable housing loans to Indigenous Australians who have difficulty qualifying for housing finance, including in remote Australia
- assist Indigenous Australians to access the capital, commercial expertise, supply chain and other opportunities required to start up, build and grow businesses
- co-invest with Indigenous Australians in commercial ventures and assets, enabling them to access sound financial returns, build commercial capability, and generate employment, training and supply chain opportunities
- ensure that when IBA uses its capital for the benefit of Indigenous Australians its capital base also accumulates, so that it is able to sustain and increase the impact of its activities.

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

*Indigenous Business Australia is established:*

- *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.*

In pursuing its purposes, IBA is required under its legislation to engage in commercial activities.

## 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:

- work proactively with the Australian Government in contributing to its key priorities in Indigenous Affairs – in particular, in relation to improved economic outcomes
- expand the reach of the home ownership program
- expand the reach of the business development program
- expand the reach and impact of the investments program
- grow IBA's capital base and revenue streams through innovation and private sector partnerships
- maintain high standards of efficiency, accountability and reporting.

## Values

In meeting IBA's objectives, we are guided by these core values:

**Professional:** We act in a commercial manner, building and maintaining a reputation for excellence in both our dealings with our stakeholders and in our decision making processes.

**Outcome focused:** We are creative, flexible and results driven. We have courage to attempt solutions in difficult business situations.

**Collaborative:** We build partnerships with our customers, business partners and our stakeholders. Internally we draw together our skills, knowledge and expertise to harness the breadth of capabilities in IBA.

**Responsive:** We meet the needs of our customers and stakeholders in a timely way. We take the time to listen to be sure we understand what needs to be done.

**Proactive:** We anticipate opportunities and plan ahead so we are ready for new challenges.

**Realistic:** We face challenges with practical and achievable solutions.

**Respectful:** We aim to understand the cultural and social context in which we work, we build trust and display integrity in all our dealings.





# ENVIRONMENT

In developing this corporate plan, we considered a number of significant issues facing IBA and its customers in the short, medium and long terms. In particular, we were mindful of the growth in the younger demographic of Indigenous Australians over the longer term, and the pressures and opportunities that this creates for IBA in its ability to 'make a difference' to the economic prosperity of Indigenous people. IBA will need to adopt new approaches so that we can sustainably accelerate our impact if we are to meet the growing demand and the expectations of Indigenous Australians, government and the broader Australian community.


The environment in which IBA operates is also changing rapidly and significantly. The dynamic setting is influenced not only by the economic aspirations of its current and potential Aboriginal or Torres Strait Islander customers and co-investors, but also by changing economic, social and political circumstances; federal and state government policy settings; economic, market and regulatory conditions; and developments within the investment industry.

The changing environment is described in detail below, with respect to each of the sectors that IBA is engaged in and the overall economic outlook.

## 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.

The statistics demonstrate that 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. It follows that the number of new Indigenous home owners required to bridge the gap is likely to increase at a similar rate.

Servicing the long-term demand is a challenge for IBA. To put this in perspective, over the past 40 years our home ownership program has provided more than 16,000 home loans, focusing on assisting customers who have been unable to access mainstream finance. It is estimated that IBA has contributed to approximately 20 per cent of the increase in Indigenous home ownership over that time and enabled Indigenous Australians to accumulate \$1.9 billion in wealth through home ownership. While that is a considerable achievement, the pace will need to be significantly increased to make serious inroads into closing the gap in the future.

Assuming current affordability settings, a large proportion of potential Indigenous home owners are unlikely to be able to afford homes without support such as that provided by IBA. The recent reduction in state and territory government home ownership subsidies, such as first home owner grants and stamp duty exemptions, has disproportionately added to affordability pressures for this group.

At the same time, current affordability issues mean that our traditional low- to middle-income customers are being squeezed out of the home buyers market. Increasing house prices and rising unemployment, particularly in non-urban areas, have resulted in a reduction in demand for home finance from the Indigenous market segment.

The combined challenges of increasing underlying demand and declining affordability call for new approaches. These are detailed in the Performance section of this plan.

## 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 15.2 per cent for non-Indigenous Australians.

Growth in the Indigenous self-employment rate has been limited over the past 15 years, with an increase of only 0.3 per cent in the 10 years from 2001 to 2011. Indigenous businesses, including IBA's current customers, are also skewed toward the small end of the market spectrum. However, there are increasing signs of an expanding Indigenous business sector. For example, IBA's customers are not only those seeking to start up new businesses, but also those looking to scale up or improve their current businesses.

The efforts of Indigenous Australians are being bolstered by important Australian Government and corporate initiatives aimed at increasing opportunities for Indigenous business, employment and training through procurement policies, Supply Nation and reconciliation action plans. Of particular significance is the announcement that, from 1 July 2015, the Australian Government will set a target to have 3 per cent of its procurement contracts with Indigenous suppliers by 2020. This may be, in dollar terms, up to \$135 million worth of contracts each year. IBA expects that the government's target will stimulate the growth of Indigenous businesses and hence demand on IBA's services.

In recent years, IBA has worked to respond to structural economic changes like globalisation, as well as major industry disruptions in retail, construction and mining – three of the most represented industries in the Indigenous business sector. In addition, more mature Indigenous businesses are now calling on IBA for new forms of sophisticated

support like diversification, supply chain involvement and business growth. The new digital economy also has brought about a period of disruption and transition.

Our task is to increase the number of sustainable Indigenous businesses to ensure that the gap continues to close, and to assist businesses to grow and add depth to the sector, and maximise outcomes from new opportunities, in this challenging environment.

## Investments

The economic outlook is for relatively low and unpredictable growth in investment returns. IBA's investment portfolio covers a wide range of investments, sectors and geographic locations, which lessens its overall exposure to adverse effects arising from economic downturns in any one sector or individual investment failure.

In addition to liquid holdings, the portfolio is made up largely of investments in commercial property (via the Indigenous Real Estate Investment Trust), and direct investments in tourism, grocery retail and mining services. IBA is actively considering investments in new sectors which can provide financial and economic benefits for Indigenous Australians, including healthcare and renewable energy.

The proportion of lands subject to agreements and determinations continues to grow, and demand for intergenerational investment from Aboriginal and Torres Strait Islander communities grows with it. As a result, many organisations are looking to build more diversified investment portfolios, with an increased preparedness to invest 'off country' and through pooled investment structures to complement their local direct, impact generating investments. This marks a significant change from prior eras,

in which many groups focused solely on investing 'on country'. Such a focus largely resulted from a lack of capital, market access or investment experience, and saw such groups not gain the benefit of having a strong and diversified overall portfolio position within which to make allocations to local direct investments.

Another significant trend is the private sector's increased interest and participation in Indigenous economic development, in two key respects. First, we have observed escalating interest among institutional investment managers, banks and advisors in assisting Aboriginal and Torres Strait Islander communities to access and benefit from mainstream investment markets. Second, a number of institutional investors are seeking to make 'impact investments' into or alongside Aboriginal and Torres Strait Islander communities who have established or reinvested their returns into local impact generating businesses and programs.

IBA is responding to these trends and needs by developing new approaches and investment solutions enabling Indigenous organisations to co-invest through pooled structures. IBA is also engaging with investors, such as industry super funds, to examine ways to harness more private sector capital into direct, impact generating investments.

## Economic outlook

In terms of the broader 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 investments. IBA monitors movements in these indicators to inform its risk management and planning processes, as reflected in the analysis above.



Based on Commonwealth of Australia data (as outlined in the 2015–16 Budget Strategy and Outlook), over the medium term we can expect relative stability. Interest rates are at historic lows and the inflation outlook is forecast to remain low. Unemployment, while it has been slowly rising, is expected to peak in 2015–16 (at 6.5 per cent), then decrease over the following years.

The economy is in transition, moving in focus from mining to non-mining sectors, with terms of trade expected to continue to fall over the short term, linked to lower commodity prices and lower growth in demand, especially in relation to iron ore. The global economic outlook is improving slightly, with Australia's main trading partners forecast to have 4.5 per cent growth in 2015–16, although there are still risks – notably, China's transition to a sustainable growth rate.

While the potential for growth in the Australian economy will be supported by the low interest rates, the recent depreciation of the Australian dollar and lower energy prices, this is yet to be reflected in strong investment plans. Wage growth is expected to remain subdued and uncertainty over the economic outlook could lead to continued constraint in retail spending and consumption growth.

While the outlook overall is fairly subdued, the Australian economy is expected to return to its trend growth of 3.25 per cent in 2016–17, driven by stronger non-mining investment.



# PERFORMANCE



To achieve its purposes, IBA undertakes three main activities, each of which is represented by a single program. The rationale for having this suite of programs is that, taken together, they represent the main avenues through which Indigenous Australians can engage in commercial activities to build wealth: home ownership, business ownership, and other wealth-generating investments. The link between IBA's purposes, this suite of programs and performance indicators is illustrated in our performance framework in Figure 1.

## Programs

### **Indigenous Home Ownership Program**

The Indigenous Home Ownership Program facilitates Indigenous Australians into home ownership through providing access to affordable housing loan finance. The program aims to address barriers such as loan affordability, low savings, impaired credit histories and limited experience with long-term loan commitments.

### **Business Development and Assistance Program**

IBA plays an important role in the development and growth of Aboriginal and Torres Strait Islander businesses through the delivery of the Business Development and Assistance Program, which provides a range of assistance to Indigenous Australians to acquire, establish and grow their businesses successfully. This support includes access to expertise, supply chain opportunities, and finance for viable businesses.

### **Equity and Investments Program**

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.

Each investment's accounts and performance information are consolidated into IBA's accounts, and details concerning each investment are included in IBA's annual report.

## Performance framework

To measure our success in achieving our objectives and overall purpose, we will use the performance indicators for our programs listed in Figure 1, which shows the links between the program indicators and the achievement of our purpose.

## Planned performance and delivery strategies

We realise that relying on existing models and products alone will not be sufficient to achieve our objectives in a changing operating environment where our customers and stakeholders are expecting more of us, and to meet demand in the areas in which we operate. For this reason, IBA's strategies for service delivery place an emphasis on innovating to achieve growth in its impact. We want to find better ways to reach more customers, while providing a more effective service to meet their needs.

**FIGURE 1: PERFORMANCE FRAMEWORK**

Purpose set out in the ATSI Act	Policy domains	IBA performance indicators
<p><b>Enhance self-management and economic self-sufficiency</b> [section 146(a)]</p>	<p><b>Self-management</b> refers to the ability of Aboriginal and Torres Strait Islander people 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><u>Examples:</u> sustained/consolidated management of businesses; sustained management of loan repayments without assistance; control of boards; management of investment and business strategy</p> <p><b>Economic self-sufficiency</b> refers to the ability of Aboriginal and Torres Strait Islander people and their businesses to meet their needs independently of welfare and philanthropy – for example, through having independent income streams and equity in valuable assets.</p> <p><u>Examples:</u> dividends and profit; equity; commercial contracts; salaries</p>	<p><b>Business Development and Assistance Program</b></p> <ul style="list-style-type: none"> <li>• Proportion of loan customers still in business one, two and three years after commencing</li> <li>• Number of increases to loans with existing customers</li> <li>• Number of Indigenous people in jobs created/ supported by IBA business loan customers</li> </ul> <p><b>Equity and Investments Program</b></p> <ul style="list-style-type: none"> <li>• Portfolio return to Indigenous co-investors</li> <li>• Proportion of Indigenous jobs supported by the investment portfolio</li> </ul>
<p><b>Advance commercial and economic interests</b> [section 146(b)]</p>	<p><b>Access to economic opportunity:</b> IBA advances Aboriginal and Torres Strait Islander people's commercial and economic interests by facilitating access to valuable commercial and economic opportunities.</p> <p><u>Examples:</u> concessional loans; access to capital on favourable terms; access to contractual opportunities</p> <p><b>Effective participation:</b> IBA advances commercial and economic interests by supporting Aboriginal and Torres Strait Islander people to participate effectively in the mainstream economy.</p> <p><u>Examples:</u> post-loan support; commercial capacity building; financial management training; training for directors; job training</p>	<p><b>Indigenous Home Ownership Program</b></p> <ul style="list-style-type: none"> <li>• Number of new home loans</li> <li>• Aggregate loans in the portfolio</li> <li>• Number of loans to applicants who have an adjusted combined gross annual income of not more than 140% of IBA's Income Amount</li> <li>• Number of loans to applicants who are first home buyers</li> <li>• Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities</li> </ul> <p><b>Business Development and Assistance Program</b></p> <ul style="list-style-type: none"> <li>• Number of entrepreneurs supported in capability development activities</li> <li>• Number of new business loans approved</li> <li>• Number of supply chain contracts brokered</li> </ul> <p><b>Equity and Investments Program</b></p> <ul style="list-style-type: none"> <li>• Number of Indigenous co-investors supported</li> </ul>
<p><b>Capital management</b> [section 146(b)]</p>	<p><b>Capital accumulation:</b> When IBA uses its capital for the benefit of Aboriginal and Torres Strait Islander people, it must ensure that its capital base accumulates.</p> <p><u>Examples:</u> targeting return on IBA capital investment; acting commercially and prudently; generating revenue; long-term growth of portfolio</p>	<p><b>Indigenous Home Ownership Program</b></p> <ul style="list-style-type: none"> <li>• Total Indigenous Home Ownership Program capital base</li> </ul> <p><b>Equity and Investments Program</b></p> <ul style="list-style-type: none"> <li>• Portfolio return to IBA (budget year)</li> <li>• Portfolio return to IBA (rolling five years)</li> </ul>

## Indigenous Home Ownership Program

### Performance

The indicators measure the success of the program overall in providing home loans and related assistance to Indigenous people and the effective management of the loan portfolio (deliverables). They also measure the success of the program in targeting lending and assistance to customers as appropriate to their circumstances and need, and the facilitation of home ownership in remote Indigenous communities (key performance indicators).

**Facilitate increased levels of home ownership.**

**TABLE 1: INDIGENOUS HOME OWNERSHIP PROGRAM PERFORMANCE**

	2014–15 Estimated actual	2015–16 Budget	2016–17 Forward estimate	2017–18 Forward estimate	2018–19 Forward estimate
<b>Deliverables</b>					
Number of new home loans <sup>1</sup>	520	575	595	615	630
Aggregate loans in the portfolio <sup>2</sup>	4,505	4,675	4,825	4,975	5,125
Total capital base (\$m) <sup>3</sup>	995	1,060	1,130	1,200	1,275
<b>Key performance indicators</b>					
Percentage of loans to applicants who have an adjusted combined gross annual income of not more than 140% of IBA's Income Amount <sup>4</sup>	80% of loans	80% of loans	80% of loans	80% of loans	80% of loans
Percentage of loans to applicants who are first home buyers <sup>5</sup>	90% of loans	90% of loans	90% of loans	90% of loans	90% of loans
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities <sup>6</sup>	10	12	14	16	18

Note on data collection: Except where otherwise indicated, data for performance reporting on these indicators is extracted from the IBA loan administration database monthly and annually.



## Approach

IBA seeks to expand its home loan portfolio through maximising the use of available capital through existing products, while also exploring innovations to facilitate more people into home ownership.

IBA pursues a program of continuous improvement to ensure that products, policies and procedures are appropriate, efficient and innovative, to meet changing market circumstances. For example in March 2015, to increase home loan affordability for IBA's customers, the following policy changes were introduced:

- lift in the income tier levels, used to determine customer's eligibility for an IBA housing loan, so that more applicants are eligible for larger loans
- lift in the income threshold for very low income customers accessing a reduced commencing rate of 3% (from \$35,000 to \$55,765)
- new 'Fee Finance' loan product to enable customers who do not have sufficient savings to borrow the money they need to pay for stamp duty and other costs associated with the purchase.

We also stimulate and meet demand in remote areas where there are suitable land tenure, social and economic conditions and administrative arrangements in place to make home ownership feasible.

The program currently does not have a list of approved customers waiting for IBA to release capital for a home loan, as was the case in the past. Instead, it needs to increase the pipeline of new applicants to ensure that the program budget is fully committed in the coming years.

The program will stimulate demand through a range of advertising and marketing initiatives, the need for which is likely to continue. Based on the current allocation of capital, IBA can achieve 575 loans in 2015-16. It expects to build the annual number of loans incrementally, to reach 630 loans in 2018-19.



'An IBA loan was the best thing to happen to our family,' said Kacey Leach, Corindi NSW.

## Strategies

Over the life of this corporate plan, IBA will:

- set interest rates, deposit requirements and other support arrangements at levels that assist people on low to middle incomes to participate in home ownership
- increase the new lending pipeline by promoting awareness of appropriate home financing options, including implementing regionally based marketing and communication strategies
- provide appropriate levels of support to applicants in the initial loan process and to borrowers in follow-up loan aftercare, to reduce defaults
- examine ways to leverage private capital through credit enhancement techniques so as to expand the number of home loans facilitated by IBA
- examine ways to expand our customer base through broader product and service offerings, in partnership with the banks and other corporates
- actively facilitate home ownership in remote Indigenous communities where residents would not normally have the opportunity to own a home, including by offering targeted subsidies and support arrangements and allowing portability of those arrangements for remote applicants who wish to move to take up a job
- monitor changes in key economic indicators (e.g. interest rates) and broader government policy (e.g. decisions concerning first home owner grants and stamp duties) that affect home ownership, and adjust products, policy and procedures as necessary to address customer needs
- develop joint funding/delivery arrangements with state or regional organisations.

## Business Development and Assistance Program

### Performance

The indicators measure the success of the program overall in providing business loans, assistance to grow businesses, and related business support and employment opportunities to Indigenous Australians (deliverables). They also measure the success of the program in helping to create and maintain sustainable businesses (key performance indicators).

**Assist to start up, build and grow businesses.**

**TABLE 2: BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM PERFORMANCE**

	2014–15 Estimated actual	2015–16 Budget	2016–17 Forward estimate	2017–18 Forward estimate	2018–19 Forward estimate
<b>Deliverables</b>					
Number of new IBA loans approved <sup>7</sup>	60	<b>60</b>	80	90	100
Number of increases to loans with existing customers <sup>8</sup>	n/a	<b>25</b>	30	35	40
Number of entrepreneurs supported in capability development activities <sup>9</sup>	n/a	<b>600</b>	650	700	750
Number of jobs created/supported by IBA business loan customers <sup>10</sup>	500	<b>500</b>	500	500	500
Number of Indigenous people in jobs created/supported by IBA business loan customers <sup>10</sup>	300	<b>325</b>	335	350	375
Number of active loans in the portfolio <sup>11</sup>	300	<b>300</b>	300	300	300
Number of supply chain contracts brokered <sup>12</sup>	0	<b>50</b>	60	70	80
<b>Key performance indicators</b>					
Percentage of loan customers still in business one year after commencing business <sup>13</sup>	85%	<b>85%</b>	85%	85%	85%
Percentage of loan customers still in business two years after commencing business <sup>13</sup>	75%	<b>75%</b>	75%	75%	75%
Percentage of loan customers still in business three years after commencing business <sup>13</sup>	65%	<b>65%</b>	65%	65%	65%



## Approach

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

As this long-established program has matured, there has been a growing recognition of the need for IBA to focus more on the quality of its start-up support and ways to grow established businesses to generate long-term wealth and economic independence.

Given the emerging nature of the market we service, the 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 our 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 sector has more diverse service needs.

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.

We are 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 improving portfolio risk and ensuring that the program is more effective in assisting the Indigenous business sector to grow.



'Wow, that's something I wanted to achieve, and I have done that,' says Karen Seage, Snap Underwood, Brisbane Qld.



## 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
- assist the sector to respond to procurement and supply chain opportunities by brokering and by directly connecting Indigenous-supplier businesses to contract opportunities and supporting their development
- 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
- build a business advisory service and business development network based on
  - developing, sharing and using market intelligence, including by targeting emerging and growing industry sectors and regions
  - forming strategic partnerships with a range of organisations that can assist in providing services to Indigenous entrepreneurs (finance providers, educational institutions, Indigenous organisations, business service providers, corporates and government agencies)
  - employing contemporary business design practices to craft investible, lower risk business models by providing timely market and credit advice.



## Equity and Investments Program

### Performance

The indicators measure the program's success in sustaining positive 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.

**Build commercial capability through co-investments.**

**TABLE 3: EQUITY AND INVESTMENTS PROGRAM PERFORMANCE**

	2014–15 Estimated actual	2015–16 Budget	2016–17 Forward estimate	2017–18 Forward estimate	2018–19 Forward estimate
Portfolio return to IBA (budget year) <sup>14</sup>	CPI +4% <sup>15</sup>	CPI <b>+4%</b>	CPI +4%	CPI +4%	CPI +4%
Portfolio return to IBA (rolling five years) <sup>16</sup>	CPI +4%	CPI <b>+4%</b>	CPI +4%	CPI +4%	CPI +4%
Number of Indigenous co-investors supported <sup>17</sup>	25	<b>30</b>	30	35	35
Portfolio return to Indigenous co-investors <sup>18</sup>	CPI +4%	CPI <b>+4%</b>	CPI +4%	CPI +4%	CPI +4%
Proportion of Indigenous jobs supported by investment portfolio <sup>19</sup>	20%	<b>22.5%</b>	25%	27.5%	29%

Note: The investments indicator targets have been updated from what appears in the 2015–16 PBS (changed to CPI plus 4% from Cash plus 3%). This reflects IBA's revised Investment Strategy, which was completed subsequent to the PBS process.

### 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 the strategic environment outlined previously, over the past two years IBA has broadened our engagement considerably in order to leverage our 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. We have 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 Real Estate Investment Trust (I-REIT).

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

Following extensive modelling with regards to the current portfolio asset allocations and planned future asset allocations as well as an independent strategic asset allocation review, the strategy has a gross target return of CPI + 4.0% over rolling five year periods, as being more appropriate than the previous measure of Cash +3.0% over rolling five year periods. This reflects:

- targets of other broadly comparable funds
- likelihood of the current and planned investment portfolio meeting the target while still complying with IBA's statutory purpose
- view of the IBA Board with regards to having a real return measure (CPI +), which reflects IBA's desire to maintain the purchasing power of its capital.

## Strategies

Over the life of this corporate plan, IBA will:

- create and deliver opportunities for Indigenous Australians to invest alongside IBA in commercial markets, businesses and assets via innovative fund and direct investment structures
- ensure each investment and the portfolio overall deliver a positive net return after management and operating expenses, assessed over a reasonable time period and benchmarked against appropriate industry indicators
- generate economic impact for Indigenous Australians via commercial capability development, employment, training and/or procurement opportunities
- achieve long-term portfolio growth through an overall investment strategy and supporting sector strategies, adjusted when necessary to reflect broader market conditions
- reposition our direct investments with enhanced key performance indicators, exit strategies and management capability, leading to improved financial and economic impact outcomes
- continue to build the pipeline of investment-ready Aboriginal and Torres Strait Islander organisations with which IBA can co-invest, through a structured approach to building commercial and investment capability
- engage private sector partners, through either co-investment or management arrangements, to leverage their expertise and capital, and to help build the capability of Indigenous Australian co-investors.



A joint investment with IBA and Leedal, the Fitzroy River Lodge improves opportunities for local Indigenous Australians.





## Strategic partnerships

To leverage the impact of IBA's main programs, we will develop partnerships with individuals, corporations and government. We will take extra steps to ensure that we understand the contexts and goals of our customers, and to facilitate relationships that assist us to build capability. Our staff will spend more of their time out of the office, and devote more of their effort to working with our customers and partners face to face to achieve good commercial outcomes.

## Remote and place-based solutions

All of IBA's main programs have a significant outer-regional/remote focus. IBA also has a demonstrated capacity to contribute to local solutions in partnership with Aboriginal and Torres Strait Islander communities. We are well positioned to contribute to the Remote Australia Strategies under the Australian Government's Indigenous Advancement Strategy.

IBA will:

- leverage its national reach and its suite of wealth-enhancing activities to respond flexibly to local needs for assistance with home ownership, business development and investments.

## Service enhancement

IBA will deliver services based on the principles of continuously improving the customer experience and extending our reach through partnerships to achieve greater impact. IBA will find new solutions to challenges, create new opportunities, upscale successful pilots, and continually improve our efficiency and effectiveness.

IBA will also:

- adopt contemporary delivery channels, such as online and third-party loan originators



- improve the customer experience, and our efficiency and effectiveness, through more flexible products and better business processes
- carry out customer and stakeholder surveys and targeted research to assist us to improve our product and services offering
- partner with banks and other corporates to reach more customers with products and services that address their home ownership, business and investment needs
- foster strong community, private sector and government relationships that will underpin the achievement of commercial outcomes
- facilitate peer-to-peer engagement among Indigenous businesses and organisations, and their engagement with the private sector
- establish best practice in measuring and reporting the economic and social benefits of our activities.

## Resourcing

IBA is classified as a material agency in the general government sector.

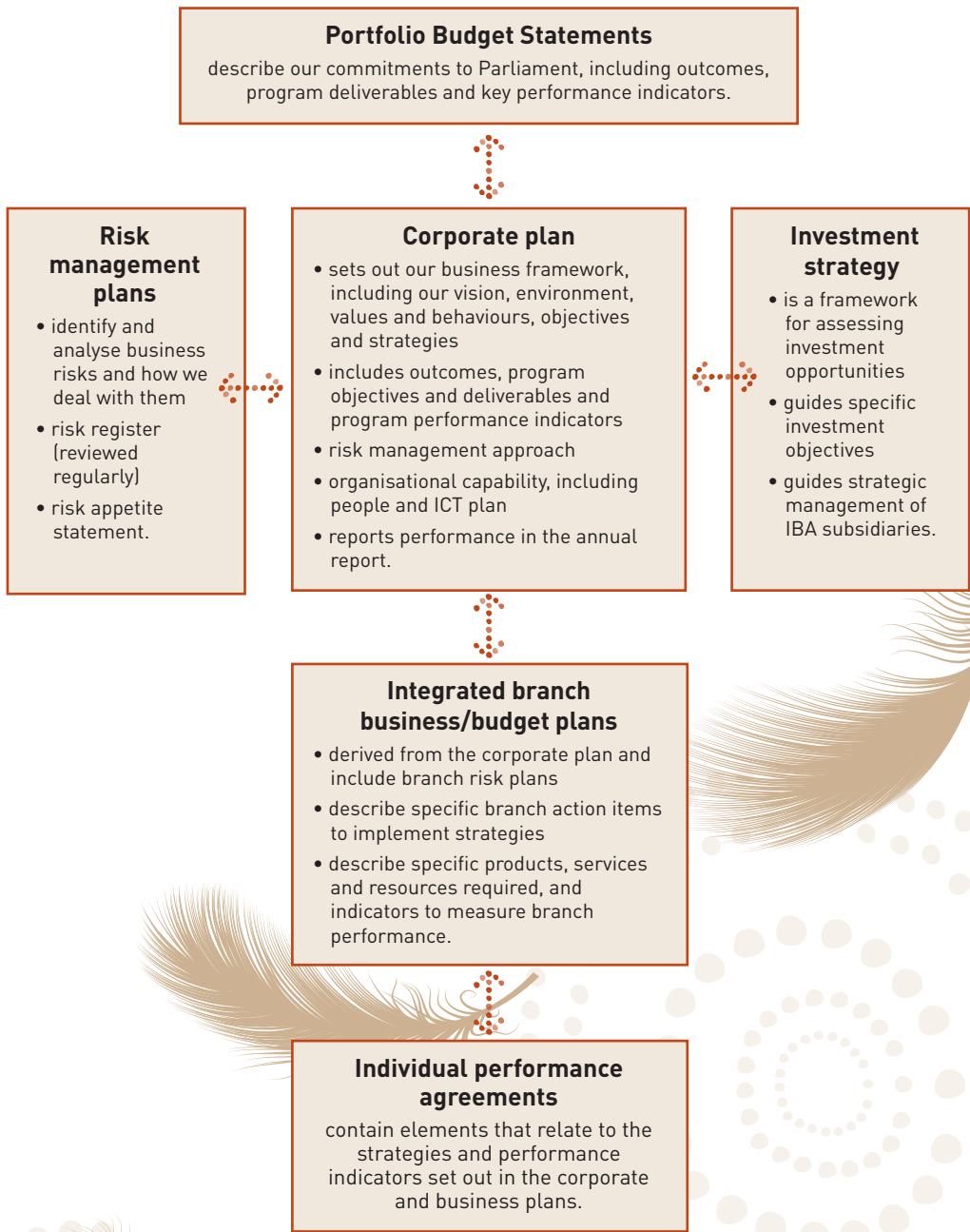
IBA's budget is managed through the Commonwealth portfolio budget statements and portfolio additional estimates statements process under the Prime Minister and Cabinet portfolio. The budgeted financial statements are approved by the Board and incorporated in the portfolio budget statements.

Most of IBA's consolidated operations are funded by self-generated revenue from home and business loan interest and investments. IBA receives appropriations 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 (refer to Table 4).

**TABLE 4: IBA REVENUE AND EXPENSES**

	2014-15 Estimated actual (\$'000)	2015-16 Estimate (\$'000)	2016-17 Estimate (\$'000)	2017-18 Estimate (\$'000)	2018-19 Estimate (\$'000)
<b>Revenue from other sources</b>	145,223	167,975	170,713	176,362	180,841
<b>Revenue from government</b>					
Ordinary annual services	34,328	34,258	33,858	33,977	34,030
Capital injection	36,880	36,550	36,550	36,550	36,550
Total annual appropriations	71,208	70,808	70,408	70,527	70,580
<b>Program expenses</b>					
Indigenous Home Ownership	29,093	40,292	41,308	42,340	43,399
Business Development and Assistance	37,492	31,175	31,973	32,772	33,591
Equity and Investments <sup>20</sup>	112,966	130,766	131,291	135,227	137,881

FIGURE 2: IBA STRATEGIC PLANNING FRAMEWORK



# CAPABILITY

With a strong, dedicated workforce and the right capital investment in technology and information management, we are building a path that supports IBA's key strategies and plans. IBA's strategic planning framework (see Figure 2) outlines the integrated path used to achieve our purposes.

IBA has a highly adaptive workforce, responsive to the needs of its customers. Shaping the future direction of IBA involves a combination of building on our skills and improving the technology to deliver our services.

## Workforce planning

Under its People Plan 2015–17, IBA has a number of initiatives to build individual and organisational capability. This includes the IBA Learning and Development Framework, which has a strong focus on the professional development of our 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 reporting which reveals high-level trends that affect current and future workforce capability requirements. Strategies to build a pool of talent and address specific 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, particularly in the commercial markets space.

Indigenous graduate and intern programs are key initiatives to build capability, improve our responsiveness to our customers and increase Indigenous employment. IBA's Cultural Engagement and Education Framework advances our staff's cultural awareness to a higher level.

Consistent with the objectives of IBA's Reconciliation Action Plan 2014–16, and building cultural appreciation and competence, an Aboriginal and Torres Strait Islander staff network (the Galambany Staff Network) was created in 2012. Recognising the fundamental value that our Indigenous Australian staff bring to the organisation, the network provides support for Indigenous staff and contributes to the review of policies and procedures. It is maturing and playing an active role in the organisation.

## Information and communications technology

IBA has invested in new information and communications technology (ICT) systems and is in the final stages of a three-year ICT strategy aimed at significantly improving information and cost management. A new financial management information system has been implemented and a customer relationship management system is about to be introduced, along with digitisation of IBA's records management system.

IBA's ICT Strategic Framework provides a clear focus on using ICT to improve customer service delivery, and achieving better value in return for investment in ICT. It is premised on a company-wide approach to maximise the support and coordination available to share expertise and fully capitalise on opportunities arising from emerging technologies. Leveraging integrated technologies will enable IBA to improve cross-program interaction and customer management.

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.

With the foundation work already in progress, IBA's future ICT strategy will focus 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 strategy will identify any areas of weakness or obsolescent applications/systems, and provide guidance on options for the future.

Our ICT Strategic Framework and current projects are laying the platform for our future operating and support systems. The benefits realised in increased operational efficiency and effectiveness and decreased support costs will see the organisation well placed to assist our customers achieve stronger economic outcomes.



Communal space in IBA's national office in Canberra.



# RISK OVERSIGHT AND MANAGEMENT

In the pursuit of its purposes and functions, IBA operates in a commercial environment that exposes it to higher risks than are faced by many other government entities and financing organisations. Appropriate management of risk is therefore essential for IBA to continue to achieve its objectives while meeting its obligations to its customers and the Australian Government: to be diligent, efficient and effective in the performance of its activities. The guiding principles are that risk must be identified at an early stage, assessed and appropriately treated.

IBA adopts a conservative approach to 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. The increased inherent risk in these areas is managed through a range of controls, including regular monitoring by the IBA Board. Credit risk is managed through the Board Credit Policy 2015, which identifies all credit risks and levels of tolerance.

The IBA Board expects IBA staff to maintain a positive risk culture and actively manage risk in their day-to-day work to ensure that IBA meets its business goals and maintains stakeholder confidence and trust. Individually, managing risk is the responsibility of each IBA staff member. 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's Risk Management Framework and Policy 2015 provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continuously improving risk management throughout IBA. The framework provides the Board with assurance that IBA's risk exposures are adequately controlled and addressed. It is consistent with the Commonwealth Risk Management Policy and the Australian and New Zealand risk management standard, AS/NZS ISO 31000: 2009. Risk management plans are in place at the whole-of-organisation, program and project levels, and are regularly reviewed by the Executive Management Team, Audit Committee and Board.

IBA has a risk-based internal audit program and periodically undergoes independent reviews to assess its governance structures. In Ernst & Young's 2014 report *Review of the Indigenous Land Corporation and Indigenous Business Australia* (commissioned by the Department of the Prime Minister and Cabinet), IBA is seen as a mature, well performing organisation with processes designed to ensure financial sustainability. Ernst & Young scored IBA across a wide range of capabilities, with 94 per cent rated as either 4/5 or 5/5. The review included an assessment of IBA's organisational effectiveness; the results were consistent with those of a governance review conducted by Deloitte in 2012 and the 2015 Comcover Risk Management Benchmarking Survey.

# ENDNOTES

**Table 1: Indigenous Home Ownership Program Performance**

- 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 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).
- 3 Includes balance of active loans, including accrued interest, plus the balance of funds held at bank or cash at agents, including unsettled progress payments.
- 4 Based on the number of loan approvals in the financial year where the combined gross annual income (CGAI) 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. CGAI includes the main employment incomes of both the primary and secondary applicants (including income from pensions and benefits payments) plus other assessable income, such as regular overtime, allowances and family benefits payments. Note: This indicator has been increased from 125% to 140% in 2015–16 in response to affordability issues.
- 5 The proportion of loan approvals in the financial year which are for Indigenous applicants who are first home buyers. The first home buyer status of the applicant is requested as part of the application form and flagged in the loan administration database.
- 6 A community 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 collated from monthly reports prepared by field team.

**Table 2: Business Development and Assistance Program Performance**

- 7 Includes only new loans made during the financial year and not loan increases or additional funding to existing customers. Data is extracted from the loan administration system monthly.
- 8 This is a new measure in 2015–16 to measure loans that contribute to business growth. Data is extracted from the loan administration system monthly.
- 9 This is a new measure in 2015–16 to capture broader service delivery. Capability development initiatives cover pre- and post-loan business support, usually delivered through consultants, and comprise: feasibility assessments; business planning; Into Business workshops; trade events, marketing and promotion; mentoring; growth planning and budgeting; and assistance with contracts, tender writing and website development. Data is captured manually from several different databases.

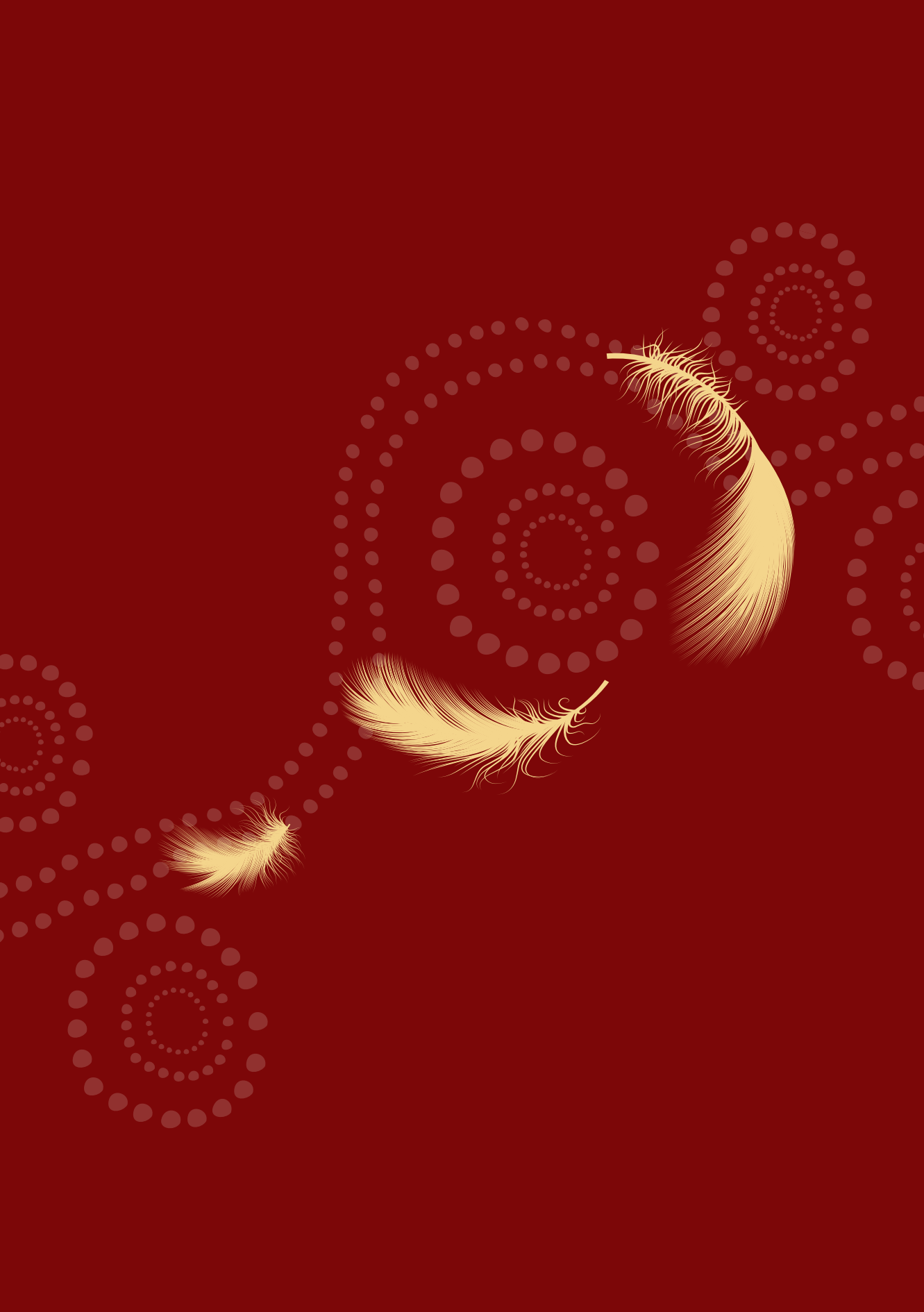
- 10 Data is collected during the loan approval stage and stored in a separate database which is split into Indigenous, Non-Indigenous, Male and Female. 'IBA business loan customers' refers to the total loan portfolio. Data is updated monthly to account for new loan approvals and loans exiting the portfolio.
- 11 Number of active loans at the end of the financial year. Data is extracted from the loan administration system.
- 12 This is a new measure in 2015–16 to capture the number of government and procurement market contracts secured by Indigenous businesses with the active assistance of IBA's Commercial Markets team. Data is extracted from the customer relationship management database (leads converted to contracts).
- 13 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. This information, including how long the business has been operating, is manually recorded in a spreadsheet and updated quarterly.

**Table 3: Equity and Investments Program Performance**

- 14 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.
- 15 Benchmark return represents the consumer price index (CPI) plus a margin of 4 per cent.
- 16 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.
- 17 Includes current Indigenous co-investors, Indigenous co-investors to whom investments were sold during the Budget year, and Indigenous investors supported through advisory services.
- 18 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.
- 19 Total number of Indigenous people employed by employing investment portfolio entities, expressed as a percentage of total workforce, measured quarterly and averaged across those quarters to account for fluctuations in staffing levels intra-year.

**Table 4: IBA Revenue and Expenses**





- 20 Revenue and expenses for the Investments Program represents the consolidated revenue and expenses of IBA and its investment subsidiaries. The program does not receive any Australian Government appropriation.







Australian Government  
Indigenous Business Australia

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