



*Rural Financial
Counselling Service*
SOUTHERN QUEENSLAND

*Assisting rural people to identify
ways to become self - reliant and
better equipped to manage
change and adjustment*



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SUBMISSION

FARM HOUSEHOLD ALLOWANCE REVIEW

Rural Financial Counselling Service – Southern Queensland

Background

Rural Solutions Qld Inc. (RSQ) is a not-for-profit organisation which was established in 1998. Since 2006, RSQ trading as Rural Financial Counselling Service Queensland South Western Region and RFCS – Southern Queensland (RFCS-SQ) has been funded to provide free, financial counselling assistance to primary producers and small rural businesses across Southern Queensland. This delivery has been under the charter of the Rural Financial Counselling Service (RFCS) Programme.

The Programme is funded by the Australian Government through the Department of Agriculture and Water Resources and the Queensland Government's Department of Agriculture and Fisheries.

The objectives of the RFCS Programme are to:

- assist eligible clients, through the provision of rural financial counselling services, to understand their financial position and the viability of their enterprise
- assist eligible clients to identify options and develop and implement plans to improve their financial self-sufficiency and
- deliver effective, flexible and responsive services to those clients in need of assistance

RFCS Southern Queensland has a seven member Programme Committee from rural communities who employ a Chief Executive Officer and twenty-one rural financial counsellors strategically located across the region.

Rural Financial Counsellors (RFCs) assist rural producers and small rural businesses to identify ways in which their business can become more self-reliant and better equipped to manage change and adjustment. Through the consultation process, RFCs provide clients with the tools to make their own financial and business decisions. Generally the assistance provided includes:

- Financial analysis including cash-flow projections
- Preparing budgets and profit and loss statements
- Identifying business options and developing action plans for the future
- Preparing for meetings with lenders
- Preparing for succession planning
- Assist clients with the preparation for and participation in Farm and Business Debt Mediation (FBDM)
- Identifying government assistance that the client may qualify for
- Prepare for and managing events such as droughts, floods and bushfires
- Accessing and referrals to government and professional assistance
- Identifying areas of risk in the client's business

Introduction

This submission has been compiled from information obtained through consultation with rural financial counsellors, farmers and other key stakeholders.

Our submission will provide a comprehensive response to the Terms of Reference for the Farm Household Allowance Review.

Rural Financial Counselling Service – Southern Queensland would like to acknowledge and thank the Commonwealth Government for their commitment to fund the Farm Household Allowance initially for three years with a recent extension of an additional fourth year. Without the Farm Household Allowance payment, many farmers in financial hardship would have struggled to meet basic household expenses and to provide food for their families. We sincerely thank the Commonwealth Government for this support measure.

Our organisation has been involved with partnerships between the Department of Agriculture and Water Resources and the Department of Human Services since August 2007 when the first areas in Queensland were revoked from Exceptional Circumstances Declaration. Our rural financial counsellors were the first counsellors across Australia to work under a case management approach with farmers in receipt of income support. The initial household support program was the Climate Change Adjustment Program which comprises of a training and advice component as well as the income support component known as Transitional Income Support. Other income support programs followed which included the Transitional Farm Family Payment and then Interim Farm Household Allowance until the current program of Farm Household Allowance Support which commenced 1 July, 2014.

Executive Summary

- The Rural Financial Counselling Service currently delivers **significant value for money** providing connectivity and an umbrella of vital financial counselling support and assistance to isolated rural and remote farming, pastoral, forestry and fishing enterprises
- Escalating hardships faced by farmer and the long-term drought conditions has seen the result of increasing number of farm businesses seeking support and the Commonwealth and Queensland Government have increased funding support for the **continuance of this vital rural financial counselling resource** for farmers in hardship. Free, impartial, confidential and independent assistance continues to be provided across Southern Queensland to farming family in financial difficulty
- The Rural Financial Counselling Service rural financial counsellors have the **knowledge and experience** to engage and support farming families with their financial and personal decision-making and to manage the challenges confronting them and develop a plan for an improved financial position and provide options for improved business and adjustment decisions.

Barriers

Awareness of the Farm Household Allowance Program

In our region, the awareness of the Farm Household Allowance (FHA) Program is mixed. In the severe drought areas there is a high awareness and relevant information about the program is provided to all clients who access our services. Despite the FHA support being a 'hardship' payment, it is still deemed or self-assessed by many farmers to be a drought payment. A name change could be considered 'Rural Hardship Support' which would save confusing about this payment being primarily for drought.

Traditionally farmers are not in contact with or have relations with the Department of Human Services (DHS) which accounts for some limited awareness.

The recent announcements and increased media of Farm Household Allowance due to the drought situations in New South Wales and Queensland has increased the awareness of this support measure.

Application Process Barriers

Rural Financial Counsellors in Southern Queensland provide information and assistance to the farmer to complete the application process either through on-line or the hard copy application process. Some of the barriers with the application process include:-

- Farmers' have many pressures impacting them emotionally, physically and financially. Many are overwhelmed with the amount of paperwork involved with the application and the additional requirements involved with FHA including completion of a Farm Financial Assessment. These factors have discouraged a number of farmers from applying
- Some farmers have had no financial capacity to pay for accountants to complete their financial statements for previous year/s. This can make the application process difficult as the farmer is required to provide their most recent financial statements and the inability of some farmers to provide their last year's tax return make their applications invalid
- Negative and incorrect information in the media about the Farm Household Allowance has influenced some farmers who have decided not to apply for the support
- Long delays for some clients. A time frame for approval isn't being provided to farmers at the time of application e.g. an anticipated approval date or timeframe when the farmer's first payment may be received. Farmers often question "will it be too late for my farm and family if and when I am approved?"
- The current FHA program is designed for potentially longer term recipients. The suitability of the application process for shorter-term immediate support needs to be reviewed example: Natural Disaster events
- Time is a real factor for those farmers who are running a business under severe financial stress and may be facing a health or other crisis. Many farmers or their rural financial counsellors are contacting the Department of Human Services to check on the approval of their application. Paperwork for some claims is lost within the DHS system and this requires another follow-up action that is conducted by the RFC or farmer to progress the much needed payment. This also increases the duress that that farmer is experiencing
- Limited internet capacity or access can be an issue for some farmers. The uploading of documents to lodge with the application can be a very slow process for those with poor internet connectivity and those who lack the skills of today's technology
- Confusion exists as to the meaning of some of the questions and what type of response is sought from DHS

- Many farmers who have been issued with a debt notice and have had to repay funds are reluctant to reapply for Farm Household Allowance in the future
- Agistment is considered by DHS as off-farm income. This makes applications invalid or has seen debts raised as a result of this income source which is specifically farming related income
- Rural contractors who are not farmers are severely impacted in the drought or other climatic events. Could the Farm Household Allowance could be extended to this group? (example: contract harvesters, contract sprayer, fencing contracting etc.)

Application Barriers Suggested Solutions

Through assisting many hundreds of farmers, our rural financial counsellors have detailed below, some suggestions to breakdown some of the barriers farmers face with the application process.

- Application form to be revised to enable each question to have an example of what information is required in the response or an on-line pop up screen that will allow a query to be entered and a DHS person can respond on line. Similar to the help box that appears on the Australia Taxation Office website
- A number of farmers do not have '*recent*' financial statements due to the inability to afford to pay an accountant. There is a need for a hardship payment or advance payment to be provided to these farmers. These funds could be drawn down from the funds allocated to the Farm Financial Assessment and would aid with payment to the farmer's accountant allowing financial statements to be prepared. The farmer could then progress their Farm Household Allowance Application
- Hardship recognition for farmers. Many farmers are in dire financial circumstances and are having to rely on community donations from charities. Under previous income support programs a hardship payment has been paid whilst the farmer's application is being assessed. To aid farmers and to reduce the significant financial pressures impacting farmers, a hardship payment for up to three months should be considered for those with less than \$5,000 liquidity. A draft form has been included with this proposal – Attachment 'A'
- Higher internal access for Farm Household Allowance Case Officers (FHCOs) will also improve the application process. If the FHCOs were involved with the farmer on lodgement of the initial application, they could track the application through to approval process. Each farmer would have the same or unique FHCO managing their claim. If there was a hold-up with the application the FHCO could liaise with the DHS processing team and follow up any additional information request with the client. The FHCOs have a passion for assisting rural people and understand their circumstances. Increasing internal access will achieve more timely approvals to those in need
- Allowing Rural Financial Counsellors direct access to the DHS processing team to clarify any claim queries which will enable them to resolve matters on behalf of the client or relay any queries to the client. Many counsellors have a nominee form signed by the client which is lodged to DHS which enables the counsellor to discuss any FHA client matters with DHS. There are many hours spent on the phone following up their client's applications with DHS and this is a resourcing demand that could be reduced with a direct link to DHS. In previous programs funded by the Department of Agriculture and Water Resources, a one page authorisation was acceptable for transference of information from DHS to the Rural Financial Counselling Service. A revised form from previous income support programs is attached – Attachment 'B' which could be a replacement for the nominee form for DHS
- MyGov site could play a vital role in the information for farmers with their application progression. If a farmer could log onto their MyGov profile they could be provided with a timeline of how their application approval was progressing. The site could also have added functions whereby the farmer could see a time clock of the time they have left on the program or any time

reimbursed if they have had a debt. MyGov could also provide the breakdown of any debt amounts which have been determined by DHS.

Application Barriers and Farmers Seeking Help

Traditionally farmers are self-sufficient but due to the ongoing drought, live export bans and hardships encountered in our state we have seen an increased number of farmers coming forward seeking assistance.

Our farming community are very proud and are reluctant to seek out welfare payments however they are very deserving of any financial support that is available to support them through the many hardships they face.

In the majority of cases, farmers consider the Farm Household Allowance a 'drought' payment rather than a 'hardship' payment. With the emphasis on the drought in New South Wales and Queensland this year and the Farm Household Allowance changes announced whilst the drought has been a main the focus, it is the perception that the payment is for those in drought.

Many farmers would not consider applying for Farm Household Allowance if they were not impacted by the drought.

Preserving Entitlements

The majority of the RFCS Southern Queensland farmers on Farm Household Allowance are in drought areas. These farmers required the maximum assistance of the FHA to assist them through their circumstances as when the drought finally breaks it will take a significant period of time to build their rural enterprise back to a viable status.

Rural Financial Counsellors discuss the option to preserve FHA entitlements with each and every client. Some farmers are not aware of this option and many advise that it is something they would be keen to look into when they are in a better financial position. Many farmers recognise there will be another event in the future that may impact their enterprise and to have some time preserved would be of great benefit.

Length of Time to Access Support

It is difficult to set a timeframe on the assistance time limitations. Hardship and drought or climatic events and natural disasters are difficult to predict especially in Queensland where many events impacting primary production enterprises are occurring in succession.

The restriction of four years in a lifetime cannot meet all farmers' needs. In the current drought conditions farmers in Western Queensland are heading into their seventh or eighth year of drought. Previously in some of these areas, a 3 year reprieve was experienced during flooding events but prior to this time the same areas experienced ten or more years of drought. There needs to be an option for extending the payment timeframe for farmers exposed to lengthy occurrences to enable their future planning to have a focus on the changing environment and the risk of more years of intense dryness.

Ideally, a simplified process is required to enable farmers to start or suspend their access to FHA as the seasons or hardships dictate. Currently after a three month timeframe off the payment, a farmer is required to complete a new application to re-join Farm Household Allowance program. If a Statutory Declaration could be used for those who were to re-access the program up to six months after ceasing, this would encourage more farmers to opt out and also reapply should they find themselves back in financial hardship.

If the repayment of a debt occurs, the farmer's available time for FHA assistance is to be reset by the period for which the debt is raised however the process for this reset of time is unclear. If a farmer had a debt of \$20,000 and this amounted to a timeframe of 10 months of their FHA time allocation, there appears to be no mechanism that provides notification that the farmer's time has been reinstated on the program.

Current Reciprocal Arrangements Effectiveness for Longer Term Financial Circumstances

Under the current Farm Household Allowance process we have found that the activities proposed for clients through the Farm Financial Assessment are not always tailored to circumstances of the farmer. It is a requirement that each recipient of the Farm Household Allowance work on an activity as set by a Financial Improvement Agreement. Many of these activities in the past have included creating a business plan or succession plan or preparing a budget. The same activities don't apply to all farmers. Some farmers have commented that they consider the activities a 'ticking the box' exercise to meet their obligations and remain on payment.

The planning needs should be more tailored to the farmer's individual circumstances to have the best impact and long-term financial benefits to their enterprise and providing value for money for the Australian Government. Rural Financial Counsellors can play a key role in this process. Rural Enterprise Action Plan templates are used in different forms by rural financial counsellors nationally. These assessment tools provide more in-depth information than the existing Farm Financial Assessment (FFA). With the involvement of the farmer at their commencement on FHA, the rural financial counsellor can meet with the client on their property and complete a full assessment of the client's previous financial history, current circumstances and projections in to the future. This is a normal process in the RFCS structured assistance including working with the farmer to set strategies and plans for the farmer's future and sustainability going forward.

The current legislation requires the FFA to be completed by recipients on the program. The FFA is based on historical financial information without a huge focus on future planning and the data from this mechanism will not provide long-term financial solutions.

There are a percentage of non-commercial farmers who are granted access to the program in many cases as their circumstances do not fit other DHS criteria. The definition of a farmer needs to be more specific and the criteria amended. One suggestion has been that a similar eligibility criteria be considered as the current requirement for the Commonwealth Government Regional Investment Corporation loans.

Effectiveness and Appropriateness of FHA's dual objectives providing support and structural change

When farmers are applying for the income support payment generally most of their financial resources have been exhausted and their well-being has suffered. The majority of a farmer's time especially in drought conditions is focussing on maintaining the health and well-being of their livestock and putting food on the table. Other planning activities for the future are secondary.

Once the farmer has settled into receiving the payments and following three months of payment, the Rural Financial Counsellor can then meet and work with the farmer to plan and set strategies for their future. Progressing down this path requires understanding of the underlying circumstances of the farmers business and ensuring the farmer is aware of their financial situation prior to and during this hardship event, and how the future may look.

Whilst income support is being received which includes the training and advice component, this provides a platform to connect the farmer with the tools they need to improve their knowledge, skills and business acumen. Developing a preparedness plan for the next business or climatic impact, planning for the transition to retirement or the next generation taking over the family farm, should be considerations of the strategies for the farmer going forward.

Through the involvement/relationship of the rural financial counsellor, regular consultations would be held with each farmer. Yearly, half yearly or more regularly if required, the farmer's equity position would be assessed and any improvement or decrease in equity will provide a clearer financial picture for the client for their journey forward.

For those farmers that are planning to exit agriculture and who may have only used a percentage of their four year entitlement on Farm Household Allowance, the remaining funds that would have been paid for the time had they continued to access the payment could be paid out as an Exiting payment. Example - if a farmer had used 2 years of their 4 year FHA timeframe, the income support dollar figure for the next two years would be paid to the farmer so they could progress their plans adjusting out of agriculture. This would assist farmers to exit agriculture with dignity and have some funds to adapt to their changed circumstances.

Recipients Ability to withdraw from the payment and Return

Since Farm Household Allowance commenced in July 2014, our service has not experienced a high number of clients opting to withdraw from the payment or return at a later date. Many farmers are not aware of this option until they are advised by the Rural Financial Counsellor. Rural financial counsellors continually discuss with their clients their continuing need for the assistance. It is also suggested depending on the client's circumstances if one member of the couple should opt out to extend the accessible timeframe of assistance for the household.

Estimation of income for farmers is difficult given the climate and commodity price uncertainty. Those farmers in the severe drought areas have mostly de-stocked so FHA is the only source of income and it is not an option for them to withdraw from the program even if they wished to.

The taxation return reconciliation process within DHS is far too untimely to provide recipients any indication of whether they should be coming off the program due to an improved financial position. By the time the reconciliation occurs it is potentially 18-24 months after the end of financial year and the client's hands are tied when a debt may be raised. This is further complicated by the additional 18-24 months of income support already received. As the reconciliations are a retrospective analysis of the farmer's income, this is not a useful mechanism to guide the farmer if they should voluntarily withdraw from the payment

Suitability and effectiveness of current policy setting

The current income eligibility test

In many cases farmers have had to secure off-farm employment in order to survive and meet repayments from creditors taking a proactive step for their business and their family. They are then unable to access the FHA. Many farmers work off-farm to gain income to meet living costs and maintain cashflow which results in ridiculous hours being worked as their chores on the farm await them when they are back on-farm. These proactive farmers are then penalised and are ruled out of the assistance.

Forced Sale of Stock

Many farmers are in a position whereby they make the best decision for the health and well-being of their stock prior to and or during the drought and choose to sell down significant quantity of their livestock assets. They consider this an essential business decision however, through the DHS assessment and reconciliation process, farmers are penalised as DHS considers this an increase in income and the farmer is then often issued a debt notice. A twelve month period or one financial year is often not appropriate to measure the performance of a primary production business.

Under the Australian Taxation Office assessment processes, they allow the use of deferred income and primary production averaging. By applying a similar test to the FHA payment, in certain circumstances, the raising of debts could be avoided.

It would assist many farmers if DHS recognised that the proceeds from the forced sale of stock should be not assessed as income but could be regarded as a quarantined amount for restocking in the future or used to pay down debt. Extraordinary events such as forced sales should necessitate unique treatment by DHS in the reconciliation process.

Debts resulting from Sale of Stock, Agistment or Other Rural Sales

Many farmers struggle to cope with the debt process once they are aware they have incurred a debt. On occasions, the first notification for some farmers has been a phone call from a call centre collection agency and in many cases from a foreign speaking caller. A debt letter is also issued.

The timeframe for the debt could have been incurred two years prior. Currently DHS are reconciling the 2015/2016 year which can have serious repercussions for clients who are receiving FHA at the moment.

The debt figure is provided to the client however without any explanation of the workings of how this debt was incurred. Rural financial counsellors assisting farmers with debt enquiries can spend copious hours on the phone trying to establish the calculation of the debt. In the majority of cases, the client makes the payment but is unsure how the debt has arisen. It may have been due to many reasons including the income offset not being applied, a keying error on behalf of DHS, expenses for contracting or agistment not offset against the income or many other reasons.

When they apply for the Farm Household Allowance, farmers are often not aware of the reconciliation process that DHS will use and when issued with a debt notice many become distraught and despondent with the whole process.

Asset Threshold

The increase to the net value of on-farm assets to \$5 million has been welcomed. In some areas the value of rural land has increased significantly and many producers have been ruled out of the FHA on-farm criteria. It is real positive to farmers and rural communities that this threshold has been increased.

Off-Farm Assets Eligibility Test

Some planning and preparedness activities for farmers and their rural enterprise is to diversify some of the cashflow received during better seasons to purchase income earning off-farm assets as part of their risk management and retirement strategies.

To assist the farmers who are planning and endeavouring to insulate their rural businesses, a consideration that the off-farm and on-farm combined overall threshold could be set at \$5 million.

In some circumstances these off-farm assets are a way of future proofing their rural enterprise and the drought is a key example where those farmers with off-farm assets have the option of selling these assets as an avenues for income sources or maintaining debt repayments.

Farm Financial Assessments (FFA)

There is a need to review the process of the Farm Financial Assessment against practical application to support change for the farmer and their business enterprise.

Currently the prescribed advisor (being an accountant or professional) completes the FFA. In some cases the prescribed advisor is not the farmer's accountant or may not have any pre-existing relationship with the client. Some farmers have struggled to meet the requirement to have the FFA completed as they have been unable to secure a professional or accountant to complete the FFA in their rural area. Many accountants do not want to take the time away from their existing client base or core business to complete the FFA. Many farmers' accountants will complete the FFA only to assist their clients.

The FFA is completed using the farmer's historical data. The template does not enable a huge emphasis on in-depth financial planning for the farmer which is required to take their business forward into the future.

The majority of farmers do not receive a copy of the completed Farm Financial Assessment unless it is specifically requested which also questions the documents value.

Feedback from some clients have advised the FFA is of no benefit to them. The timeframe required for the completion of the FFA is difficult with the farmers who are in drought and have water and stock priorities to juggle. Many farmers, once they have made the through the application forms and lodged their FHA application, are then asked to complete the FFA resulting in anger and disheartenment by the next stage of the process.

The quality of the Farm Financial Assessments completed by professional varies greatly across the different professionals but the same charge applies of \$1,500 for the completion of this document regardless of the contents.

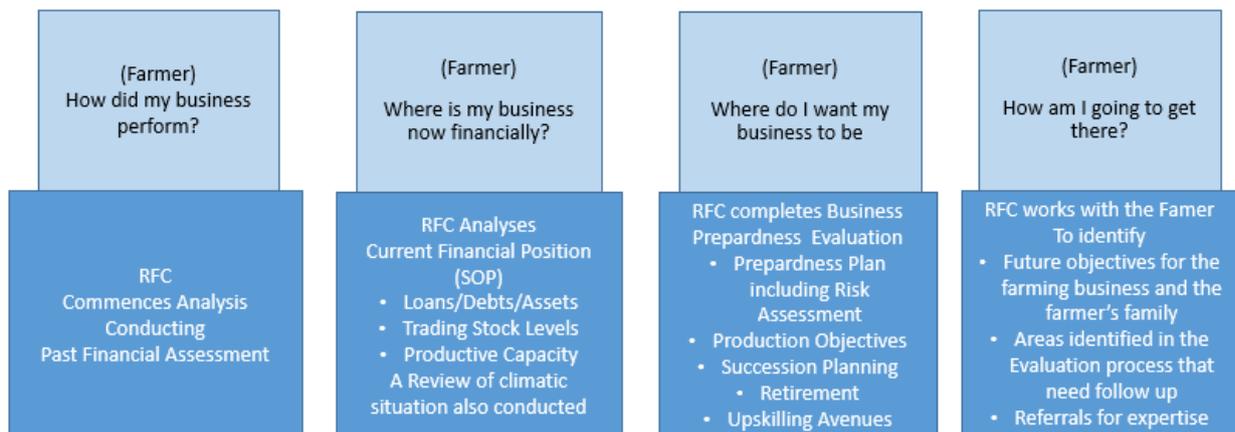
We have even seen examples of where prescribed advisors have charged over and above the \$1,500 set fee. In one particular case, the advisor did not want to prepare this document so charged exorbitantly. The farmer had the FFA completed and the farmer had no other choice but to pay the additional charge as their income support would have been terminated if they failed to have had the FFA prepared in the required timeframe.

The Rural Financial Counselling Service can play a key role in this area through the Rural Enterprise Action Plan that would replace the Farm Financial Analysis. The analysis tools used by Rural Financial Counselling Services has assessment tools that provide more in-depth information that the current FFA and would be an option in the future if legislative changes determined the removal of the FFA.

As mentioned previously in this submission, the planning needs for every farmer should be more tailored to address their individual circumstances. A specialised plan will ensure long-term financial planning and identified strategies for viability and management of risks going into the future.

To achieve the best outcomes, it is important that a farmer knows where their business has been, where they are now and where they need to be. A holistic plan should consist of a combination of key focus areas as well through the assistance process, the rural financial counsellor can ensure the farmer has an understanding of their financial position and enterprise improvement plan over time.

With future planning and to set an effective pathway going forward, the farmer not only needs to know past performance of their enterprise but the plan for the future. Some steps rural financial counsellors use to ensure the right plan is developed for the farmer are provided below.



With the involvement of the farmer at their commencement on FHA, the rural financial counsellor can meet with the client on their property and complete a full assessment of the client's previous financial history, current circumstances and projections in to the future. This is a normal process in the RFCS structured assistance including working with the farmer to set strategies and plans for the farmer's future and sustainability going forward.

Farm Improvement Agreements (FIA)

The FIA is completed by the Farm Household Allowance Case Officer (FHCO) officer with the actions drawn from the Farm Financial Assessment and in consultation with the farmer.

Over the three years from 1 July, 2014 the majority of activities set for farmers who have been referred to our service have been focused on the following areas:-

- Complete a Business Plan
- Prepare a Succession Plan
- Create a budget

The same approach or set activities for each farmer does not individualise or determine the most appropriate actions for the long term sustainability of the farmer. Every farmers' situation, their demographics, industry type and climatic impediments are different. Farmers are impacted by different events at different times and the most pressing impediments on the business should form a priority of the FIA.

The FIA can be limiting if the client does not have the financial resources available to do activities that will truly make a difference long term.

The current process does not allow for verification or confirmation that the activities have been completed. Activities are agreed between the FHCO and the farmer however actual evidence of the completion of activities is unknown other than from verbal confirmation from the farmer.

A dual approach with the FIA should have a focus on the immediate needs of the farmer and his/her enterprise with a planned approach to the activity supplement.

The increased referrals to the RFCS of farmers accessing FHA since the July, 2018 has enabled the RFC to discuss what activities have been set on the FIA and if these activities do not align with the most urgent needs for the farmer. The case officer and rural financial counsellor then have the opportunity to discuss the required changes.

It is however not mandatory for farmers to be referred to the rural financial counselling service and a lot of farmers are slipping through the process without the benefit of working with a rural financial counsellor and stepping through the financial analysis and setting a plan for their businesses future.

Activity Supplement

We have been advised that the activity supplement is underutilised.

It is not actively taken up by farmers and the activities and training options that may be required by the farmer may not meet the program criteria. It is an excellent concept and there would be huge benefits if more farmers could utilise the activity supplement. Time commitment with running their enterprise can be an impediment for some farmers as well as the tyranny of distance when located in remote and isolated areas. In these areas, the requirement of training through a registered training organisation can prove difficult.

There is a lack of awareness by FHA recipients of the activity supplement. Due to the limited information on this component of the FHA Program, our service have devised a factsheet which is provided to farmers which explain the activity supplement in more detail. Please refer to attachment 'C' for this document.

The farmers who have utilised the activity supplement have been positive with the result for their business and the outcomes achieved. If the FIA can link to identify areas to improve the farming business through utilising the activity supplement, this would be a great outcome for the farmer and the government.

If the activity supplement guidelines could be extended to cover legal advice which includes the preparation of a will, this would see a tangible benefit for the recipient. Many farmers accessing our services do not have a will or their will is very outdated and not reflective of their current circumstances.

It would assist many farmers if the supplement could also cover the purchase of basic business tools i.e. computer and printer which would enable the rural business to become more efficient and accessible. Additionally, the purchase of book-keeping software following up by training for the farmer on this new enhancement to their business would be of significant benefit to improve their business operation and understanding of financial circumstances.

Current Delivery Settings

Farm Household Allowance Case Officer

The Farm Household Allowance Case Officers in our region have a genuine interest in rural and remote areas and an empathy for the farmers. Our clients speak very highly of their interactions with their assigned FHCO.

It is our service's policy that we liaise closely with the FHCOS and regular meetings are co-ordinated between the two providers whereby client matters are discussed and our cross referral process is refined.

The FHCO are restricted in the assistance they can provide and some suggested enhancement to their current role are detailed below:-

- FHCO who is assigned to the farmer remains the 'unique' contact for the farmer
- Once a farmer applies for FHA, the assigned FHCO will track, monitor and progress the claim
- FHCO through the overseeing of the application will review its progress regularly and liaise with the farmer for any additional information requests or delays in the claims progression FHCO will follow up internally and with the processing team and keep farmer updated
- Internally higher privileges and increased access level to information needs to be granted to the case officers so that they have more information on each farmers claims
- Correspondence issued by DHS about rejection of claims etc., the case officer to contact the farmer to resolve issues or explain what additional information is required
- Advise farmer/RFC of any debt matters that have arisen and provide breakdown of how the debt is calculated

With the above suggestions, the FHCOS role could be enhanced to make a real difference to the frustrations felt by farmers with delays in claims and debts and to ensure each and every claim is progressed in a timely manner. The FHCO skills within DHS are underutilised and these case officers have a passion for assisting farmers in need and can make a real difference with the process.

Application Process

As mentioned earlier in this submission, there are many barriers with the application process. A summary of points in respect to the application process provided by farmers, counsellors and stakeholders are detailed below:-

- Length of claim and the paperwork required in addition to the claim form
- Financial statements for farmer not up to date which causes delays or rejection of claims
- On-line MyGov has been successful for some farmers. We have employed a RFC whose role is specifically to assist farmers through the on-line application step by step. The on-line process does require efficient computer and internet services. Timing out issues have been reported
- Majority of farmers wish to complete the hard copy application form
- Confusion over the intent of the questions on the application form. An on-line assistant or an example of the response that is required should be included with each question
- No DHS processor or DHS person taking responsibility for a particular client. A resolution to this deficiency would be for the case officer to be the conduit for the application process and the approval of claim
- Farmers in severe financial duress should be provided with a hardship payment while awaiting the approval of their claim. A three month fortnightly payment could be made to the farmer based on a hardship assessment conducted by RFCS

- Missing documentation and claims. In many cases the paperwork cannot be found within the DHS system and the client is asked to resubmit again. If the client hasn't kept a copy of the application claim, in many cases, they give up on the process and do not reapply
- The reconciliation of debts occurs several years after it has been determined there has been a debt. Debts discourage the client from re-applying in the future.
- No breakdown of the debt is provided and it is difficult and time consuming to get these details. Many farmers pay the debt without really knowing why it has been incurred
- The completion of the FFA following approval. Once their application is granted farmers consider they have completed the process but are then advised they have to complete the FFA. This causes distress and anger in some cases

The DHS system is not well geared to a business enterprise with irregular income and complexity with business structures and an overworked stressed applicant. The farmer's position is different to recipients accessing other DHS support payments as the farmer and his family are trying to manage and run a business with many time stresses and financial demands.

RFCS Role and Involvement with FHA

The RFCS Programme has been operating in Australia in some states for almost thirty years. Our target clients are farmers who are impacted by or are facing impending hardship who we assist to understand their financial position, identify options and develop strategies to implement plans to improve their financial self-sufficiency.

The role encompasses many areas of support and assistance assisting those in hardship or helping them prepare for future hardships. It would be preferable for rural financial counsellors to assist farmers earlier before their financial situation deteriorates with equity levels severely impacted. This unfortunately is not always achievable. Some activities within the role of the RFC are provided below: -

- Analysing the client's financial position and identifying immediate, short-term, longer-term financial barriers
- Preparing cashflows, budgeting and financial forecasting
- Negotiating with creditor and financial institutions
- Assisting farmers to accessing drought and concessional loans to assist with recovery activities or refinancing existing debt
- Providing access to and assistance applying for government programs
- Providing referrals to relevant professionals and government agencies

Involvement with Income Support and Farm Household Allowance

The RFCS has been involved with assisting farmers with income support programs since 2008, in particular, the Climate Change Adjustment Program (CCAP) which had a training and advice component as well as an income support payment under Transitional Income Support (TIS).

Under the CCAP, the rural financial counsellors were the sole case managers and once the farmer was approved on payment, DHS (previously Centrelink) provided a copy of the client's application to the RFCS. It was mandatory for the farmer to work with the rural financial counsellor. The RFC met with the farmer and together they developed an individualised tailored action plan to meet the farmer's immediate needs and the long term viability and self-sufficiency for their rural enterprise. The farmer and rural financial counsellor met quarterly to discuss the farmer's financial situation and developed and reviewed strategies for the future. Training and advice activities were agreed upon and once completed the RFC signed off on the vouchers, provided them to DHS which triggered a payment to the provider.

This system worked very well with quality plans and strategies developed for the farmer's future within or adjusting outside of agriculture.

A proportion of the rural financial counsellor's role has always been to support farmers and assist them to access assistance relevant for their enterprise.

With the current FHA process, a large proportion of the rural financial counselling service time and resources has been to assist farmers initially with the application process. Details of the RFCS involvement currently is provided below:-

- Assists with completion of application and providing guidance on required paperwork
- Provides proof of identity on behalf of DHS for farmers (this enables the farmer to be verified without the client presenting to a DHS office)
- Assists with Part 'A' of the Farm Financial Assessment
- Alleviates some of the frustration with the process and expedites the process for the farmer
- Appreciation is overwhelming at times from farmers
- Some farmers progress their claims but just require another set of eyes to review their claim by the RFC before submitting
- Liaises with DHS in respect to lost paperwork which is one of the major causes of delays with claim approval
- Liaises with the FHCO if FIA is not suitable for farmer due to their circumstances
- Contacts DHS on behalf of the client re debts raised

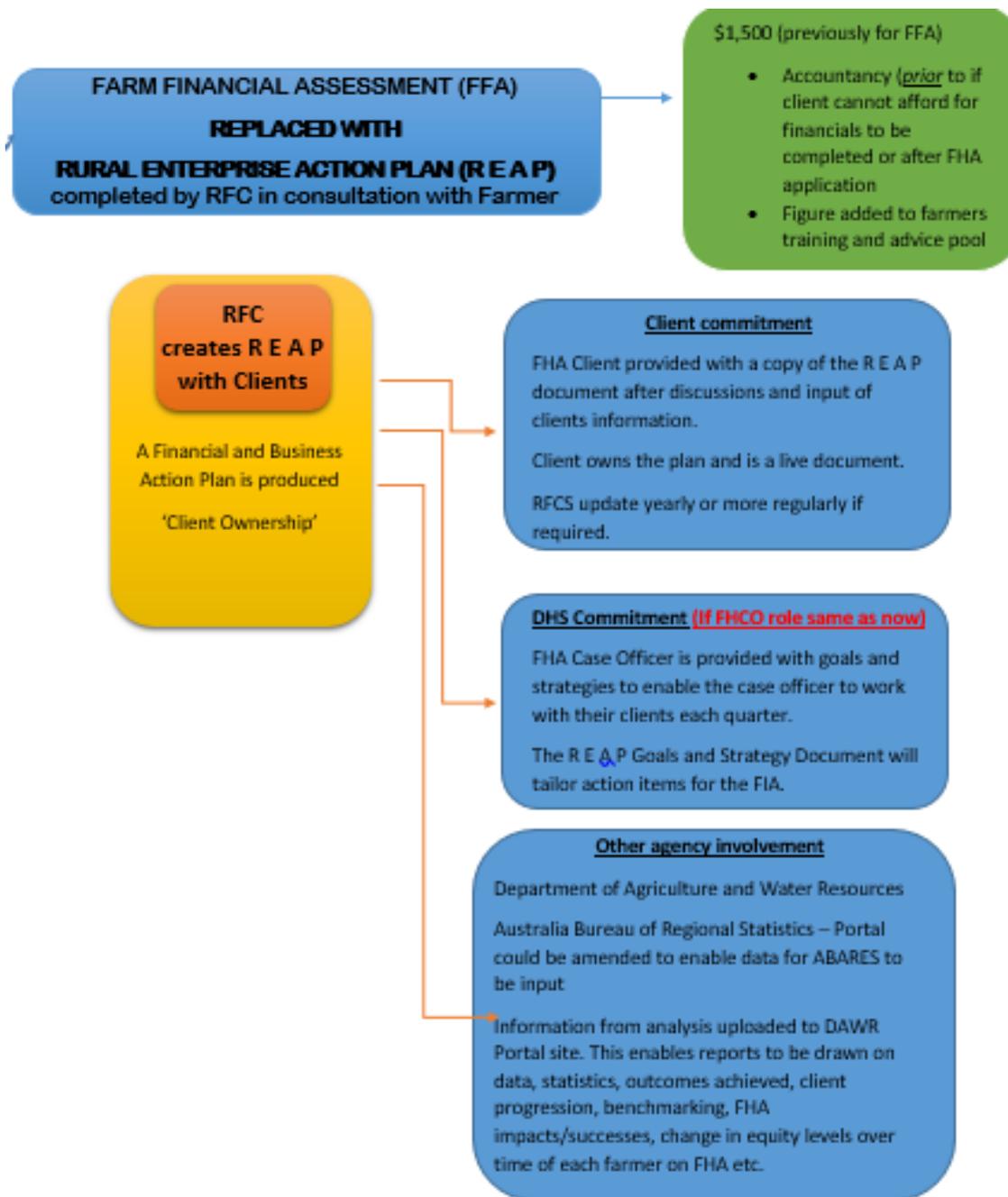
A high amount of resourcing is spent following up queries on behalf of our clients who are applying for or granted FHA. We recognise that our farmers are under immense stress. Our rural financial counsellors will endeavour, through the assistance process to alleviate any additional pressures on farmers.

As mentioned under the case officer's role, there would be major time and financial benefits to the entire process if the FHCOs could follow every farmer's claim through to approval being the unique DHS contact point for the client. Some internal information access levels would need to be changed for the case officers to be effective in this process.

The involvement of rural financial counsellors with Farm Household Allowance is vital to the future success of the program and agriculture in general. Structural change is a key aim of all interactions with farmers.

RFCS involvement conducting a Rural Enterprise Action Plan with every farmer rather than the current Farm Financial Assessment would add value and assist farmers to set a financial plan and path for the future sustainability of their enterprise. The cost currently paid for the FFA could be allocated to the farmer to utilise accountancy advice or completion of outstanding financial statements or added to the farmer's pool of training and advice funds.

The diagram on the following page has a proposed change to the Farm Financial Assessment process.



Statutory timeframes for provision of documentation

As many farmers live in rural or isolated locations across the country and the major communication method is in writing. Correspondence from DHS advising of additional information requests or cancellation or the decline of an application can arrive just prior to or after the required response date and payment may be cease. The short-time frame of approximately two weeks makes it nearly impossible for the correspondence to be received and the action required to be taken before the date deadline. It would be appreciated if more time was granted to receive correspondence and for the farmer to attend to requests.

Many of the letters to farmers are confusing with many farmers seeking out clarification from a rural financial counsellor or other professional as to the required information. Any decision to change correspondence to plain English would be beneficial.

What is working well

- The ability of the rural financial counsellors to provide proof of identity on behalf of DHS for farmers is time saving for all parties. This process enables the claim to be finalised and alleviates the travel for the farmer to a DHS office
- Our service has developed an on-line FHA application kit and also a hard copy FHA application kit to aid the farmer to complete an application through to its entirety. This initiative is working well. Our new support centre to provide step by step assistance with the on-line application has received positive feedback from farmers
- The processing of some applications for farmers coming onto their fourth year of payment has seen minimal delays, some being approved within 7-10 days
- The relationship between the rural financial counsellors and the case officers is positive.
- Training and advice when utilised has seen some really worthwhile activities completed
- Off-farm income off-set – this is working well for those who have had to seek additional financial support to meet on-farm costs
- The additional year of support increasing the timeframe from 3 years to 4 years has been a huge benefit especially with many farmers in South West and Western Queensland heading into their seventh year of drought and who had previously exhausted their income support allowance in 2017. The payment and extension has been very welcomed by these farmers who have had no cashflow and the income support has been vital to meet the costs of food and household expenses.

Improvement Areas and Alternative Model

As with any new government program or support measure to gain the most benefit for the stakeholders who are beneficiaries of the program or are providing the mechanisms of support, a review should be conducted.

The Farm Household Allowance has provided vital support to many farmers and their families over the years and without this support the emotional, physical and financial toll on rural farmers and community would have been massive. This support is greatly appreciated.

To gain the most benefit from the Farm Household Allowance, feedback received from farmers, stakeholders and rural financial counsellors have identified several key areas. The details are provided below:-

- Simplify the application process with less questions and remove Mod F form. The former DHS Real Estate Form is a preferable template. Reduce some of the other paperwork required.
- A one sheet authority to enquire about a DHS FHA client be implemented rather than the “Authorising a person or organisation to enquiry or act on your behalf” application
- The requirement of DHS officer to scan any hard copy applications and supporting documents and return the original to the applicant on application lodgement. This will ensure the cessation of lost documents, delays and further stresses imposed on the farmer for internal failures of DHS.
- Announcements made during drought events have been emphasising the Farm Household Allowance which indicates that FHA is a ‘drought’ payment and not a ‘hardship’ payment. More frequent publicity should occur other than in times of drought
- Honesty about application processing time and the expected date an application may be granted
- Recipients accessing FHA when they are not a commercial farmer or being encouraged to apply for FHA as they do not fit other assistance categories
- Administration of Federal Government farmer support all to come under the one umbrella of the Regional Investment Corporation (RIC). Rural Financial Counsellors would work more closely

with farmers through this process to achieve outcomes more aligned to agriculture, sustainability, profitability and self-sufficiency in the future

- Align 'income test' thresholds with general taxation assessment to stop current reconciliation/debt surprises
- Adjust assets test with on-farm and off-farm assets under the one capping figure of \$5 million net
- There is no payment structure for farmers in financial difficult whilst awaiting approval of the FHA applications. Introduce a hardship mechanism to put food on the table while farmer awaiting payment
- Review the effectiveness of the FFA process, its value for government, value for FHCO and value for farmers. Legislation may be required to be changed but the amount of \$1,500 could be utilised by the farmer in other ways to benefit their business
- Rural financial counsellors prepare a rural enterprise action plan for the client which includes analysis, determination of the farmer's current position, projections into the future and options and strategies for the future. This may include diversification within their enterprise or adjustment out of agriculture
- Lump sum payments and other hardship assistance being linked to FHA has caused difficulties and confusion. A number of age pensioners have transferred to FHA to access the lump sums with the intention once the lump sums are received they will revert back to the pension
- Rural contractors cannot access the Farm Household Allowance as they are not farmers. Extending the program to assist this group would relieve some of the current hardship being faced in drought stricken areas
- The reconciliation and debt process is unfair and farmers paying for something that in many cases cannot be explained. Adopting the Australian Taxation Office Deferred Income Rules would help with many of the debts raised. Funds from forced sales should be allowed to be quarantined from the DHS reconciliation process
- Farm Household Allowance case officers should be granted higher privileges within the DHS systems to enable tracking of a farmers claim and linking in with the farmer on the applications progressing. A unique one contact for the farmer within DHS.