

Rural Business Tasmanian: contribution credentials

Rural Business Tasmania specialises in business and financial management support to rural and regional small business, including agribusiness, farmers, fishers and foresters. Its key objective is to help rural families, businesses and their communities to manage the ever-evolving demands and challenges they encounter.

The organisation:

- Empowers farm enterprises to achieve improved outcomes;
- Provides training and support to enable rural enterprise to gain or improve skills;
- Helps rural enterprises to understand their financial position identifying opportunities to achieve greater productivity and prosperity;
- Acts as a conduit for rural enterprise to access and facilitate discussion with other sector facing bodies (e.g. wellbeing services, industry bodies, professional services, government allowances, grants);
- Provides support to deal with emerging environmental and market changes and challenges;
- Help rural enterprises and communities in times of crisis (drought, flood, fire, etc.);
- Acts as a key advocate for the primary industry sector;
- Delivers the Rural Financial Counselling Service (RFCS) program in Tasmania under contract with the Federal and State governments

As part of its charter Rural Business Tasmania provides specialised business and financial management services. It delivers these services through fully funded, partly funded, and fee for service programs. If RBT through the scope of service cannot assist clients, it refers them to other of its network colleagues. RBT has a team of professional and accredited financial counsellors and this experienced group is drawn from amongst the financial services sector.

RBT services include:

- Financial counselling
- Budgeting and financial management
- Succession planning
- Rescue plans
- Networking
- Coaching and mentoring

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FHA REVIEW – TERMS OF REFERENCE

Guiding principles:

Providing recommendations to government on an enduring approach to income support for farmers in hardship, including drought. Recommendations should be in line with the policy framework of the current Intergovernmental Agreement on National Drought Program Reform or its replacement.

SCOPE OF THE FHA REVIEW

The review will:

- Examine barriers to take up.
- Examine the current time limit in the context of the 2009 Productivity Commission Inquiry into Drought Support recommendation that income support payment to farmers be limited to a maximum claim per farm household for three years out of every seven in order to avoid long-term welfare dependency.
- Assess whether current reciprocal arrangements are effective in assisting farmers to improve long-term financial circumstances.
- Assess whether it has been effective, and whether it is appropriate, to have one program with the dual objectives of both providing support and assisting structural change.
- Assess the efficacy of recipients' ability to come on and off payment, noting it was a key policy setting in establishing the program, including looking into how it is being utilised, whether it is achieving its intended outcomes and/or possible alternative models for implementation.
- Assessing the suitability and effectiveness of current policy settings including:
 - the current income eligibility tests;
 - the current assets eligibility tests;
 - Farm Financial Assessments (FFA);
 - Financial Improvement Agreements (FIA); and
 - the activity supplement.
- Assessing the suitability and effectiveness of current delivery settings including:
 - the delivery model including the role of Farm Household Case Officers;
 - the application process;
 - involvement by the Rural Financial Counselling Service; and
 - the statutory timeframes for the provision of documentation.

OUT OF SCOPE

The following will be out of scope for the review:

- Significant increases to Commonwealth expenditure
- Removing income support to farmers
- Removing means testing
- Making assistance ongoing
- Reinstatement of drought or exceptional circumstance declarations

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THE TASMANIAN FHA EXPERIENCE:

Since 2014, almost one hundred Tasmanian farmers have qualified for and have been granted the FHA with around fifty percent of that total figure currently receiving the allowance.

The majority of recipients herald from the dairy sector with mixed livestock/cropping, beef, horticulture, beef/sheep, sheep, and other industry producers making up the FHA mix.

Through its submission Rural Business Tasmania (RBT) aims to provide insight in to the Tasmanian rural sector's experience with the FHA, and its State specific feedback and recommendations.

Data harvest has included compilation of Rural Financial Counselling Service Tasmania (RFCST) client surveys, face-to-face interviews, anecdotal accounts, and feedback from the members of the Forum of Rural Stakeholders, an industry representative body convened by RBT.

As per the scope of the review, this submission will address each of the areas of consideration.

Barriers to uptake:

In Tasmania the barriers to uptake have been as multi-faceted as they have been complex. On a personal front they include influences such as pride, ignorance, perception, and fear.

Tasmanian primary producers are a stoic and proud group with many never having dealt with government entities such as Centrelink. They are usually based in small tight knit communities where self-reliance is the norm and privacy is keenly sought and protected. To admit that one is experiencing financial difficulty or worse asking for help is not something that sits comfortably with most in the sector in this State.

A reluctance to admit one requires help compounds the likelihood that those in need will fail to reach out and research what support services and programs are available to them. They may have heard in the media and via stakeholder networks about the FHA and other programs like concessional loans but if there is a measure of defiance and an inherent inability to acknowledge that help and support are needed affected people are unlikely to explore the options that are open to them.

Feeding FHA uptake reluctance is the requirement of self-assessment. Many farming families are frugal by nature and are used to making do. Unlike their metro and regional hub based counterparts and due to lifestyle existence on the land, material belongings and spending are often not as prevalent as it is for other members of Tasmania's population.

Add to the above the perceived complexity of the application process specifically the number of forms required to be completed, the time and resources required to complete the process, literacy and numeracy challenges, and digital access for application submission when combined can make the whole undertaking overwhelming.

On an administrative and procedural front because of the nature of distribution, timing of application processing, and the subsequent receipt of payments feedback secured to date has uncovered a fear of Centrelink debt incurrence by way of allowance overpayment with many finding certain procedural aspects of the FHA beyond their control, a cause of stress and therefore an additional uptake deterrent.

This may too be compounded by previous experiences potential FHA recipients may have had with Centrelink around other support programs such as Family Tax Benefit (FTB).

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In short if the industry is not proactive with its communication, marketing and engagement, understanding of the FHA is limited creating another grey area for potential eligible beneficiaries.

Claim opportunity time frames:

At the moment the FHA provides fortnightly income support to farmers and their partners up to a maximum of four cumulative years (1,460 days of payment) while they take action to address their long-term financial security. RBT considers this to be an appropriate time frame.

The most recent FHA guidelines confirm that there is no limitation on the timeframe over which an individual can be paid and the period(s) of support do not need to be consecutive.

As the four years of allowance can essentially be entered and exited at the instigation of the FHA recipient, procedures around access to funds in terms of commencement and pausing of payments could benefit from a review, with the aim of simplification of the process.

Ease of execution has been raised as an issue for many with the current requirement of substantial documentation when implementing payment variation and therefore inhibition of flexibility presenting another barrier to FHA scheme uptake.

Scope and effectiveness of FHA reciprocal arrangements:

The concept of reciprocal arrangements by way of mutual obligation requirement is sound and agreeable however to ensure the process effectiveness some review may be fortuitous.

RBT has identified a number of parameters for review that include but are not limited to the following:

- The understanding, relevance, and usefulness of recommendations of the financial adviser undertaking the Farm Financial Assessment (FFA).
- Willingness of allowance recipients to accept and if required to adopt the recommendations of the FFA, to accept that business practice change is required, and their ability in fact to adopt the recommended changes. (e.g. does the applicant possess the financial literacy and business planning skills to make the required adjustments? Do their current plant and equipment allow for fundamental farm business practice modification? How much do current market conditions influence change management?)
- Accuracy and practicality or any suggested improvement agreement aims? Does this require clearer guidelines and benchmark reliant measurable targets?
- Follow-up and enforcement of terms and items of the Financial Improvement Agreement.

There is no doubt that the FFA is a useful tool. RBT asserts that in its experience the FFA when combined with other existing farm management tools including for example the RFCS Action and farmers own business plans have the potential to deliver more effective, efficient and profitable outcomes for FHA scheme participants.

Effectiveness and appropriateness of a two-goal program:

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By endeavouring to assist structural change and better business practice adoption, the FHA seeks to support agricultural enterprise experiencing financial hardship.

While a two-pronged approach of support and practical change is an admirable ambition the challenges of a dual goal program have emerged as perhaps being unrealistic and counterproductive.

Enforcing theoretical change involves not only a level of emotive and resource dependent acceptance but also a willingness and preparedness to adopt the change in the practical sense.

A person who is dealing with crisis and financial distress is often as a result of the former experiencing acute emotional distress which may render them incapable of making clear and informed decisions, or even know how to reach out to or engage with financial and personal support services available to them.

Introduction over the seven year FHA scheme tenure of a phased personal and financial support program should be considered whereby the recipient's mental and physical welfare is addressed in concert with financial support and business planning advice over the accessible four years of allowance activation.

It cannot be understated that a healthier individual and/or family is better placed to make effective and more informed business impacting decisions that can potentially lead to better scheme outcomes on both a personal and fiscal front.

FHA scheme promotion, variations and implementation:

While organisations like RBT do their best to promote the FHA scheme via various channels including its Forum of Rural Stakeholders, sector facing workshops, media engagement and word-of-mouth through our network of rural financial counsellors and sector colleagues, there still exists a lack of awareness of the scheme and its various benefits.

Resourcing from a Federal and State level for awareness raising initiatives would be timely, and scheme success critical investment in promotion could deliver great ROI in terms of tangible measurable results in scheme uptake and fund dispensation as it translates to agriculture sector outputs and productivity. To this end, consideration should be given to promotion of availability of FHA via industry bodies such as Dairy Australia, MLA, etc. and farmer bodies such as Tasmanian Farmers and Grazers Association (TFGA) and the like.

To maximise promotion investment and to address the perceived tyranny of governmental bureaucracy and associated negative interaction experiences (previously identified in this report as a barrier to scheme uptake), introduction of an independent easily accessible purpose built digital platform as the designated non-Centrelink associated FHA portal should be considered.

To ensure compliance and in order to be able to deliver both income support payments and other support tools such as health concession cards, the application and modification of the Social Security Act, the Social Security Administration Act and its interaction with the Farm Household Support Bill 2014, and the delegation of powers between government departments, may need to be explored and a more agnostic (i.e. not Centrelink branded) user platform introduced.

Review of current policy:

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There are a number of issues emerging from the current FHA eligibility framework with the system seemingly unable due to its rigidity to effectively cope with endemic irregular income flow and seasonal variations and uncertainty of projected income that defines the rural sector.

One common example in Tasmania heralds from the sector's largest segment namely Dairy.

If experiencing severe dry and a shortage of fodder a dairy operator may be required to destock the proceeds of which, because payment comes in a lump sum, may impact on the FHA payment eligibility. It is RBT's assertion that the lack of system elasticity and consideration of such circumstances causes confusion and presents another barrier to uptake.

In another example, a dairy farmer will produce an estimate of their net business income based on the starting milk price advised to them by their milk supply company. However, the milk supply company may pay a step-up in the milk price in January of the following year backdated to the beginning of the financial year. This immediately increases the farmer's net business income to over the estimate previously provided and the farmer then provides the new net business income estimate to Centrelink. Centrelink subsequently uses the new net business income estimate to lower the farmer's FHA payment from January onwards, effectively through no fault of his own meaning the farmer has been overpaid FHA from July to December and is therefore incurring a debt and this a requirement to repay it.

Complexities around property title/s (e.g. some farms may have up to eight titles or more) under the current system means a needlessly complex form submission process. The information in such instances where there are multiple titles on a property is by nature the same or similar as a collective submission. Simplification of documentation and amendments to submission in relation to this aspect of policy has the potential to attract more entities to the FHA scheme.

Similarly, with the FFA and FIA programs, quantity and scope of required documentation could benefit from a review. While RBT recognises the necessity of documentation, cumbersome submissions undermine the benefits of practical consultation.

Machinations of current FHA scheme delivery:

The role of the Farm Household Case Officer is pivotal to the scheme's success. In the Tasmanian experience for example prior to securing its own case officer scheme delivery and support for existing FHA recipients was difficult and hard to access.

Having a designated resource in the State has enabled the RBT team to engage proactively with the incumbent expediting client information sharing by the RFCST counsellors' inclusion in quarterly FIA reviews and where appropriate their attendance at joint client meetings.

RBT asserts that greater training of case officers around the RFCS program could only enhance the collective effort in supporting rural enterprise in this State. The case officer provides an important conduit and interface with Government/Centrelink . another key player in the rural support space.

As eluded to earlier in this paper the FHA application process although slightly improved still presents a daunting prospect for potential legitimate recipients with vast and cumbersome document preparation, frustration processing wait times and eventual allowance receipt.

The current Centrelink-based system is not appropriately geared to business enterprise with irregular income, and complex enterprise structures (company/trust/partnership or variations thereof) all to be documented by hands on in the field time poor applicants. A simplification and

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streamlining of the application process could deliver from an applicant and processor perspective better and more expedited outcomes.

Guiding Questions and Issues:

The role of the RFCS is vital in assisting farmers experiencing financial hardship to access the FHA and therefore meet their day-to-day living expenses. Additionally the FHA provides reprieve to assess their options, and to using things like the activity supplement to develop strategies to achieve financial self-reliance.

The interactions of RBT staff with the FHA have been many and varied . from assisting farmers in completing claim forms and associated documents, to following up progress of FHA claims on their behalf, to then sitting with the farmers and helping them complete Part A of the FFA, and then meeting with the farmer and their FHA case officer to assist put together the FIA.

As eluded to earlier there are many frustrations associated with FHA scheme engagement. To summarise these include but are not limited to:

- volume of documentation required as part of a FHA claim.
- length of time that it takes to process FHA claims.
- some documentation lodged by the farmer as part of their FHA claim somehow does not get scanned into the Centrelink system by the appropriate person so is requested again
- a farmer will be contacted by a FHA processing officer asking for additional documents/paperwork several times during the course of assessment of a claim rather than be asked once for any additional information
- letters issued by Centrelink invariably take some seven to ten days to arrive at the client's postal address, leaving very little time for the farmer to reply. Note that whilst the farmer, or their RFC on their behalf, asks for additional time to lodge requested information, receipt of the initial letter builds on the farmers frustration with the system.
- internal Centrelink software system used by the farmer and their prescribed advisor to complete the FFA frequently freezes and loses any information input up to that point in time, necessitating processing of the same information sometimes several times.
- provision of a lump sum payment, made after FHA has finally been approved, does not assist the farmer at the immediate time when he needs the funds . i.e. at the time when the claim from is lodged.

The FIA process ordinarily requires input from the farmer's RFC who is cognisant of the financial reality that the farmer is facing.

It is evident that not all Centrelink case officers have the specialised knowledge and/or expertise to review a farmer's financial position, and therefore the ability to incorporate steps to improve that position in the FIA.

Additionally frustrations are often exasperated by that fact case officers have significant workloads and may opt for the most straightforward actions in a FIA whilst not properly assessing and addressing the core issues.

In order for a farmer to improve their long-term financial circumstances, which may include exit, they need time to make an informed judgement and related decisions the farmer needs:

- to achieve the mental focus to be able to look at the future of their farm business, without having the mental stress of getting through day-by-day;

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- to access trusted advisors, including their RFC, to work with them so that they fully understand their current financial position;
- to consider all the options available by way of developing a business plan that sets out the action steps to achieve financial self-reliance;
- working collaboratively with their RFC who as part of their role is continually assessing the ongoing viability of the farm business, to adjust to and be open to adopting any and all required change.

Relevant specific items for consideration:

1. Within 14 days of claim lodgement via completion of a simplified (maximum two page) pre-assessment document timely payment of the FHA. The applicant is then given three months to complete and lodge all the necessary forms and documents to support their claim. FHA payments continue for three months whilst all paperwork is completed, lodged and assessed. Should an application not be successful, the initial claim form completed includes a disclaimer that applicant will repay the FHA paid over time. If adopted this process underscores what FHA is designed to do namely meet the immediate day-to-day living expenses of the farmer and their family at a time when they are under financial, and emotional, stress and hardship.
2. The development of a digital training and communication hub that would house:
 - a training platform that:
 - includes frequently asked questions (FAQs) document;
 - is manned by a qualified case officer who can answer queries raised by RFCs regarding potential applications/claims;
 - includes the most current FHA claim form;
 - offers formalised training for new RFCs re FHA claim form and associated documents;
 - features resources such as how to access/create MyGov accounts.
 - a communication facility for applicants and RFCs (if given authority to do so) that will enable:
 - tracking of application status
 - receipt of Centrelink letters solely around the FHA claim - for example, extra documentation required, etc.
 - an information repository that contains an FHA data dashboard directing visitors to:
 - DAWR information sheets re FHA
 - Centrelink information sheets re FHA
 - FHA program updates
3. Use of FHA activity supplement funds of up to \$1,000 to be expanded to include, but not be limited to, purchase of capital items such as:
 - a. Laptops and associated software such as accounting software, Excel, etc.
Invariably, the farmers that apply for FHA do not have the financial resources to update very old computers so choose not to do so. Purchase of a computer could be linked to the RFC or case officer signing off on the farmer enrolling in basic computer courses run by a LINC, etc.
 - b. Livestock scales. Used by for example beef cattle operators to measure weight growth in cattle and assist in decision making re timing of sale at a given weight, etc.
 - c. Plate meters. Used to assist measure the amount of pasture in paddocks and a valuable tool in decision making re application of irrigation, fertiliser, etc.

Under this proposed consideration capital expenditure would be limited to purchase of items used on a day-to-day basis to assist in decision-making and therefore business management of the farm business

4. Built to purpose FHA software program. From numerous discussions between our RFCs and Centrelink staff, particularly those at the Farmers Help Line centre, there appears to be immense frustrations with the software program used to run and manage the FHA

Some of these frustrations have been documented as:

- a. Inability of Farmers Help Line staff to be able to access all parts of the FHA system;
- b. Escalation of issues (with FHA claims) to the IT team are not always recognised by the system and therefore not acted upon;
- c. Where there are numerous personnel assessing claims letters by Centrelink staff do not always appear on the client record and if they do appear, cannot be accessed;
- d. Issues with completion of the FFA by prescribed advisors and the length of time taken to complete due to the program freezing and not storing entered data, etc.

Given the above, and the Federal Government's commitment to ongoing assistance to farmers in financial hardship, an investment in purpose-built software would re-affirm that commitment and has the potential to deliver excellent return on investment and could achieve:

- e. Better management of the application, assessment, payment, and reporting requirements, etc. . i.e. the administration of FHA
 - f. Better ongoing support of the client by way of monitoring the FIA and associated activities.
5. We have previously outlined the frustrations encountered by prescribed advisors in completing FFA due to software/program issues

The other issue is the actual selection of the prescribed adviser. Invariably a farmer will select their accountant as their prescribed adviser. However, not all accountants have the breadth of knowledge around the various components of the primary production sector to be able to provide, for example:

- a. A summary of factors that have affected the farmer's financial position . crop rotation, crop selection, etc.
- b. A report of the potential position of the farm . expand the farm by buying next door, etc.
- c. Qualified opinion of its long-term viability . provision of feed budgets, etc.
- d. Options around diversification . move from dairy to beef, costs of diversification, markets available, etc.
- e. Environmental factors . land degradation, etc.

It is reasonable to assume that appropriate farm consultants, who may not be members of a professional body whose members normally provide financial advice, would be suitable to undertake and complete a FFA.

Farm consultants are generally well placed to, and are the people who would normally be expected to be able to provide this advice, but are in a lot of cases excluded from the process so some consideration should be given to review of this issue.