

Review of the Farm Household Allowance (FHA)

Scope of the Review

Barriers to take up:

- The RFCS is a God send! Would have much lower take up rate without that service.
- Paperwork is onerous.
- Need to further promote so farmers don't self-assess
- Complex business structures are a barrier – complex assessment unit not readily available, need staff that answer calls in there that know how these structures work
- Again need to simplify assessments with staff that can look through those business structures ie. Trusts, companies as trustees for the trusts
- **Example 1:** Brothers unmarried (older bachelors) living in farm house together in partnership working the same farm – neither with off farm income assessed by two different staff as the brothers are individuals now being paid at different rates
- **Example 2:** Couple living together working same farm together same reported combined income being paid at different rates
- **Recommendation:** The farm should be given an identifier and assessed by one staff member so that the business structure is assessed once then the partners or associated parties of the business structure be assessed by that officer to streamline the process. Only one staff member needed to assess the business structure rather than multiple staff members trying to work through the process for the same farm
- **Recommendation:** The ATO could undertake a data match project and issue correspondence to all tax payers with primary production income below a certain level and non-primary production income below a certain threshold. These letters could include a fact sheet and invite the farmers to contact the RFCS 1300 number for the local RFCS officer to make an appointment to test eligibility for FHA.

Current time limit in the context of the 2008 Productivity Commission Inquiry into Drought Support recommendation that income support payment to farmers be limited to a maximum claim of 3 out of 7 years – avoid long term welfare dependency

- Agreed that this is a good idea allows and encourages farmers to work towards being non welfare dependent but provides a safety net if necessary
- This may encourage farmers to go on and off benefits only as required rather than “take it when you can get it”
- The aim should be encouraging farmers to use it as a safety net when required rather than a long term welfare dependency measure.

Assess whether current reciprocal arrangements are effective in assisting farmers to improve long-term financial circumstances

- Off Farm Assets – maybe a 2 tier structure so that farmers can built up off farm assets over time like Superannuation or a rental property for retirement security. Current limit for off farm assets is \$387,500.00 for a couple at which point they are eligible for zero payment
- **Recommendation:** Modify current system to a 2 tier structure where off farm assets under \$387,500.00 entitled to full payment, off farm assets between \$387,500.00 - \$650,000.00 half payment and assets over

\$650,000.00 no longer eligible. If the aim is to avoid long term welfare dependence farmers should not be penalised for providing for a retirement

- Some farmers find the arrangement helpful, others are aggravated by having to consider alternative farming ventures
- **Example:** Beef cattle farmers are asked to consider other farming opportunities (for example growing strawberries). In the words of the farmer “Don’t they at Centrelink know that if I could make more money growing strawberries, then I would be growing strawberries”. The other consideration with these kind of suggestions is where the capital will come from to acquire and install major infrastructure changes to take on new farming opportunities.
- Soil tests, business courses, agronomist visit, will assist some. Succession planning helped others. Other farmers know what they are doing, and are very good farmers – they are just adversely affected by drought conditions, drop in cattle prices (for example) and an increase in commodity prices like grain that is so scarce. It is very difficult to plan around these “perfect storm” conditions.

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

- On one hand helpful for some but not for others. Could it be discretionary? That way farmers who would benefit from the FFA have funds made available to them, and others who are simply experiencing drought conditions access the small fortnightly payment. That would save the Government a heap of cash. Can the farmer use the training money for an older child that might be interested in agricultural or business training rather than the farmer having to use those funds for themselves
- **Example:** Couple in partnership with children in late teens and early 20s could those adult children still living in the family home use the training money? Or could those adult children who have moved away and are wanting to engage in training but due to drought parental income is limited could the training money be paid to their courses?

Assess the efficacy of recipients’ ability to come on and off payment, noting it was a key policy setting in establishing the program, including utilisation, whether it is achieving its intended outcomes and/or possible alternative models for implementation

- Biggest concern was the need to go through the form filling application process again. Farmer “Please, please don’t make me fill out those forms again”.
- **Recommendation:** Print out of previous application with income, assets and liabilities recorded please update any changes and provide current bank statements for all accounts, financials for most recent financial year, income tax return and current rates notice. Again save the processing time and costs
- The ability to suspend payments especially the first time around was not well advertised and even now farmers are unaware that they can take

payment now and then partner for next 3 years maximising time period for receiving FHA, or that they can suspend payment then restart as necessary

- **Example:** Farmer currently needs to borrow money to purchase new stock for flock but can suspend payments if he starts receiving income from sales
- The process to suspend and re-enter needs to be easy – possibly accessible through mygov or business online portal. Has to be simple to restart without forms to fill in
- Farmers will only just use what they need and would prefer to have something left up their sleeve if it is easy to access. Again simple upload of current bank statements and financials only, would streamline the process and save the Government money

Assessing the suitability and effectiveness of current policy settings including:

- **Current Income eligibility tests**
 - Fair
- **Current assets eligibility tests**
 - Farmers need to be able to build up off farm assets over time to be able to exit welfare system, in particular retirement assets such as Superannuation and Rental property see earlier comments under improving long term financial outcomes
 - **Example:** One farmer can have 4.8 million dollars of on farm assets and \$380,000.00 off farm assets and receives full FHA. Next farmer has 1.2 million dollars of on farm assets and a rental that is valued at \$388,000.00 not entitled to any FHA
 - **Recommendation:** As previously stated 2 tier off farm asset system
- **Farm Financial Assessments**
 - FFA should be discretionary or at least have parameters. Currently the FFA Part A to be completed by farmer is only a reiteration of information previously provided to receive FHA. Farm description, property use already provided in FHA claim. This task is onerous and as said by farmer this week “we are really busy here; we are having a drought, we did all this *manure* (paraphrased) to get the household allowance – why do I have to do it again?” The issue is that the information to be provided in the FFA is IDENTICAL to much already provided to make the claim in the first place. FFA part B completed by accountant is again a reiteration of provided information, all the financial information that is requested has already been supplied in balance sheets, profit and loss and tax returns and tax agents are unable to see any value adding in this process. The process should allow for a training/strategic improvement project plan that is customised for farmers needs and with the sole and primary aim of improving current position and long term outcomes, rather than restating numbers for numbers sake
 - **Recommendation:** FFA should be discretionary and only relevant information that has not already been provided should be requested – such as – Is there work needing to be done on the farm urgently re water systems or machinery repairs?
- **Financial Improvement Agreements and activity supplement**
 - FIA should be discretionary. Who decides what they need?
 - Some farmers do not require this process

Assessing the suitability and effectiveness of current delivery settings including:

- **Delivery model including the role of Farm Household Case Officers**
 - Farm Household Officers are excellent. Initiative that should be rolled out across the Centrelink board especially for Age Pension Claimants who are not IT savvy and Youth Allowance in particular for regional or remote students who largely come from farming backgrounds that need to move away to study
- **Application process**
 - Too arduous – short forms please and an estimated time for completion of processing
 - For Corporate Trustees or entities that have no income or assets (shell entities) form needs to say
 - Any income from any source
 - Yes – then complete forms MOD IA MOD F
 - Any assets held other than shares issued or liabilities
 - Yes – then complete form MOD R etc.
 - If no to both these questions then sign the bottom and move on. There is no value in knowing all the beneficiaries, trustees, appointers, and their details if they don't hold assets or earn income.
 - **Recommendation:** We would suggest
 - 1 form for assets and liabilities including real estate
 - 1 Form for Income and Expenses.
 - 1 Form for Business structure so that corporate trustees, trusts etc. can be reported
 - The business structure can be a free form for each farm business e.g. as an organisation chart using previously stated farm identifier
- **Involvement by the Rural Financial Counselling Service**
 - Thank God for these people! We have had the privilege of dealing with Micheal Fagg and Sarah Goulden. Both have been outstanding in their commitment in getting things done for the farmers.
- **Statutory timeframes for the provision of documentation**
 - The timeframe is okay but the communication needs improving. When uploading documents such as bank accounts if one is missing the upload looks complete and goes green tick and the only next communication is that more information is required and if you do not provide payments may be stopped. Often client believes all information has been provided. Some of the information requests are not valid or ambiguous in how they are asked
 - **Example:** Received today from Centrelink a request for information for FHA requesting – Balance sheet for farming partnership for the period 1 July 2018 to 30 June 2019. This is an invalid request as the finish date is in the future and a balance sheet reflects the past. Letter also requests separate profit and loss statements for 2018-2019 – this request is not asking for a projection but the actual profit and loss. Question is either a typo looking for information for a different period or needs to be worded as a request for projected income and expenses

- **Example:** Another farm partnership request for information – profit and loss statement for the period 01 July 2018 to 30 June 2019 and projected profit and loss for 18/19 Dairy lease. Again ambiguous request needed to phone Centrelink to clarify was the reporting period incorrect or were they only wanting projected profit and loss? This is time consuming for the farmer making these unnecessary phone calls and must also cost the Dept. of Human Services time and money to answer these calls that could be avoided by having either less requests or accurately worded requests for information
 - **Happy to provide copies of these letters with client details blacked out if requested**
 - **We are also available for teleconference if you wish to discuss any of the statements on this document, or if any clarification of these issues would assist. Please phone Sharron DeCourcy on 07 4661 4900 to arrange this if that would be helpful to you.**