

12 December 2014

Mr Paul Morris  
Agricultural Competitiveness Taskforce  
Department of the Prime Minister and Cabinet  
PO Box 6500  
CANBERRA ACT 2600



**RURAL BUSINESS  
SUPPORT**

INCORPORATING RURAL  
FINANCIAL COUNSELLING  
SERVICE SA

555 The Parade  
Magill SA 5072  
T. 08 8364 2577  
F. 08 8364 2574  
**Freecall 1800 836 211**

ABN 62 212 679 864  
ARBN 153 289 359

Dear Mr Morris

### **AGRICULTURAL COMPETITIVENESS GREEN PAPER SUBMISSION**

Rural Business Support (RBS) welcomes the opportunity to provide this supplementary submission in response to the Agricultural Competitiveness Green Paper, following our initial submission to the Issues Paper in April 2014 (IP364 submitted 17 April 2014).

RBS provides a unique service to the primary industry sector, giving independent support to manage change, risk and business challenges. Our vision is a competitive, profitable and sustainable primary industry sector.

RBS has two functional areas – a rural financial counselling service to South Australian and Northern Territory primary producers, fishermen and small rural businesses and a rural sustainable business division which delivers projects to support the development of competitive, profitable and sustainable businesses.

The Green Paper identifies many policy ideas that are outside of our core area of business and as such our response focuses on policies relating to farm financial and business management support.

In particular, we have focussed on policy ideas 16 and 17 which relate to drought and drought preparedness and policy idea 12 – *Farm Business Improvement*.

[REDACTED]

Thank you for the opportunity to contribute to the development of agricultural policy through the Agricultural Competitiveness Taskforce process and how RBS can contribute to a competitive, profitable and sustainable primary industries sector.

Kay Matthias  
Chief Executive  
Rural Business Support

Supported by the Australian and  
South Australian Governments

admin@ruralbusinesssupport.org.au  
[www.ruralbusinesssupport.org.au](http://www.ruralbusinesssupport.org.au)

## EXECUTIVE SUMMARY

Lack of financial literacy and farm business management skills are a major barrier to agricultural profitability and sustainability. Without these skills, farm businesses are unable to make informed business decisions to implement farm business improvement practices and are unaware of the risks associated with their financial position.

Rural Business Support (RBS) believes that the Rural Financial Counselling Service (RFCS) Program can deliver outcomes of improved financial literacy and farm business management skills which enhance capacity for agricultural producers to compete profitably and sustainably. The RFCS Program is well placed to deliver an enhanced level of support services – both in normal production conditions and in years of low rainfall.

RBS offers the following recommendations for consideration:

**Recommendation 1:** *That the Australian Government continues to provide the current level of funding to RFCS providers who are meeting the required service standards, while seeking savings and efficiencies through rationalisation at a state level and revision of the program as recommended by the NRAC Review of the RFCS (2014).*

**Recommendation 2:** *That the Australian Government expand the role of the RFCS Program to deliver a broader level of services to a broader target audience within agriculture, with a strong focus on financial literacy that leads to farm business improvement.*

**Recommendation 3:** *That the Australian Government provides funding for a new proactive financial literacy program, with a focus on early engagement with on-farm follow up to support the adoption of sound finance, business and production practices.*

In addition, RBS supports the further investigation of the following policy ideas as outlined in the Green Paper which currently impact our clients and our ability to provide services to them:

- enhanced communications infrastructure to rural primary production regions (**policy idea 3**) – lack of access to reliable high speed communications infrastructure is currently an impediment to the uptake of sound farm business management and business improvement practices. RBS supports the use of reliable high-speed internet access to allow on-line face-to-face virtual meetings as an option for service provision.
- a nationally consistent and mandatory approach to farm debt mediation (**policy idea 6.a**) – the lack of consistency between jurisdictions causes issues for farm businesses that operate across state boundaries. Feedback from agribusiness bankers and the Australian Bankers Association indicates that better outcomes are achieved when rural financial counsellors are involved in the debt mediation process.

- improving access to finance (*policy idea 10.b*) – access to capital and finance are critical for the implementation of business improvement practices and growth. However, many farm businesses require support to improve their financial and business management capacity to become “investment ready” so that they do not have to rely purely on banks for finance.
- a young farmers mentoring and networking programme (*policy idea 14.b*) – the RFCS can not only be a referral source for a new programme, but could also provide on-farm financial and decision making support following any formal programme activities
- additional mental health support to rural regions (*policy idea 17.a*) – mental health issues are frequently an impediment to achieving outcomes with RFCS clients, not only in times of drought, but also in ‘normal’ climatic conditions
- promoting the development of extension services (*policy idea 20.d*) – the RFCS has a role to play in the provision of financial information and decision making support to producers considering the extension of agricultural R&D in their business. The RFCS would work in partnership with NRM, industry, research and other agricultural groups who have expertise and can provide in-depth technical extension support

## Policy Idea 16 – Increasing Drought Preparedness

## Policy Idea 17 – In Drought Support

RBS provides rural financial counselling services in South Australia (SA) and the Northern Territory (NT). In recent years RBS has worked with an average of 730 clients each year – and just over 2300 farm businesses in 2007/8 at the peak of the drought. RBS currently employs a core cohort of 11 rural financial counsellors, with staff peaking at 21 in November 2007.

Through the rural financial counselling service, RBS provides independent, confidential and free financial counselling services that assist clients in managing change and adjustment.

RBS was recognised as a “high performing” service provider in an independent review of RFCS Program service providers undertaken by Pricewaterhouse Coopers in 2012. In a recent survey of RFCS clients in SA and NT, 98% of those surveyed responded that they were satisfied or extremely satisfied with the service provided by RBS staff.

In 2014 the National Rural Advisory Council (NRAC) *Report on the Review of the Rural Financial Counselling Service Program* recommended that there be a reduction in funding for the national RFCS Program of 20% and a change to the funding allocation model that would result in a 33.6% reduction in South Australia’s funding level.

RBS argues that the Australian Government should continue to fund the RFCS at the level required to achieve the corporate governance, management and service performance standards achieved in South Australia.

*Should RFCS funding to SA be reduced to the level proposed by the NRAC Report, RBS would not be able to provide the same level of service to clients, nor be in a position to govern and manage service provision to the same high standard that is currently undertaken.*

*It is crucial to maintain a core level of RFC staffing during the ‘better years’ so that resources are available when a drought crisis eventuates. This ‘core’ provides the base from which an enhanced level of in drought support can be provided ([policy idea 17.b](#)).*

*RFCS providers who are achieving the corporate governance and performance standards of the RFCS Program should not be penalised by cuts to funding.*

However, the Government should continue to seek the opportunities for savings and efficiencies through the rationalisation and revision of the RFCS Program. RBS strongly supports most of the recommendations of the NRAC report, as discussed in our response to the Report (Appendix A). RBS would welcome the opportunity to contribute to developing a transitional plan to rationalise and revise the RFCS Program in line with the NRAC recommendations.

The RFCS provides on-farm support for farmers both in times of crisis and in ‘normal’ farming conditions. During drought, farmers are unable to plan and implement business improvement practices due to lack of financial resources and the added pressures of managing through the drought.

*The period between droughts must also be utilised by producers to plan and implement business improvement practices so that they are better prepared for the next dry period (policy idea 16).*

Rural financial counsellors play a key role in helping producers to understand their financial position, evaluate options available for business improvement and develop action plans to implement them so that they are better prepared for drought.

***Recommendation 1:*** *That the Australian Government continues to provide the current level of funding to RFCS providers who are meeting the required service standards, while seeking savings and efficiencies through rationalisation at a state level and revision of the program as recommended by the NRAC Review of the RFCS (2014).*

Further to our recommendation, the Green Paper requested further input on a number of questions relating to enhanced in drought support. RBS offers the following:

***How should government determine that conditions have deteriorated to a point that requires additional in-drought support and what additional services are needed?***

It has been RBS's experience that farmers requesting RFCS assistance may be experiencing mental health issues which are a barrier to making sound financial decisions. RBS believes that there would be great benefit in additional mental health resources being available both during times of drought and in 'normal' production years. Businesses that are unable to make decisions in non-drought years (due to mental health issues) will not be adequately prepared for a drought year.

In particular, RBS believes that the lack of mental health support in rural regions could be overcome with the appointment of a suitably qualified mental health worker to each RFCS. The mental health worker could operate in tandem with a rural financial counsellor and case manage referrals to the most appropriate mental health support.

***How have the additional mental health and social support services as part of the February 2014 drought assistance package worked?***

In relation to mental health and social support to farmers announced in February 2014, SA has not been in a position to take advantage of the measures put in place. RBS believes very strongly that the approach taken by SA during the 2007-10 drought be adopted, where mental health workers worked with rural financial counsellors in a team situation to address both the health and financial issues and needs of farmers.

***What makes a drought event 'beyond the reasonable capacity of farmers to prepare for?'***

Our view is that drought is a 'fact of farming life' that all farm businesses must prepare for and factor into their planning. Where drought extends beyond the capacity of farmers to prepare does not relate so much to the severity of the drought in terms of rainfall deficiency but to the length of time

the drought continues. A successful farm business would be prepared to manage through a 12-24 month drought period using Farm Management Deposits and other risk management planning tools such as multi-peril crop insurance. When drought becomes unmanageable (i.e. when the drought extends over two consecutive growing seasons, or where multiple droughts occur closely together with no time in between for recovery) it would be reasonable to expect that government would intervene.

***Should eligibility be determined on a regional or individual basis or both, and should financial criteria be used?***

Eligibility for financial assistance should be based on individual circumstances. The current drought concessional loans are based on rainfall deficiencies for the individual farm properties and this is more equitable than the previous Exceptional Circumstances system of lines on maps. However, these loans are not currently available in SA. Financial criteria should remain a factor in determining eligibility.

An area that has been unclear in the past is that the definition of drought used under the “Exceptional Circumstances” regime was not clearly defined. Some farm businesses that operated in persistently low rainfall regions were able to access government assistance for extended periods of time with no expectation that they implement production risk management practices suited to low rainfall areas. It should not be an expectation that government provide assistance purely due to low rainfall, but based on rainfall deficiencies and clearly communicated drought criteria.

RBS also commends the Government for placing a ‘mutual obligation’ on farmers receiving the Farm Household Allowance to improve their financial position. RBS promotes that a mutual obligation for receiving government assistance should include working with a rural financial counsellor to implement plans to be better prepared for drought.

Regional conditions should also be considered when considering additional support options to strengthen communities to cope with drought periods.

***Should individuals have to satisfy a number of pre-requisites before they access support?***

Individual farmers who have previously received financial assistance from the government should be required to demonstrate how they have taken action since receiving support to be better prepared for drought. However, this cannot be at the expense of those who are desperately in need of income support to put food on the table. Those farmers who have previously received assistance and have not taken further actions to prepare for drought may be encouraged to consider adjusting out of agriculture. Previous drought assistance measures and cash handouts may have in the past ‘papered over’ the fact that a farm business was unviable in the longer term.

***Should support just be limited to the period of drought or include a period of recovery after the drought has broken?***

The Drought Concessional Loan scheme is an appropriate way to support farmers to aid recovery, re-stocking and re-planting following drought. A mutual obligation should exist in regards to use of the loan to prepare and plan for future droughts and work with a rural financial counsellor to develop good risk management practices.

RBS's experience is that the impacts of a business disruption such as the temporary ban on live cattle export and the 2007-10 drought in SA, were long term. Evidence shows that debt levels increased significantly over the drought period which had long term impacts on cash flow and increased debt to income ratios. Anecdotally, in SA our experience of the last 12 months is that banks have been putting pressure on those farmers who were under pressure during the 2007-10 drought across SA and the Murray Darling Basin.

***Is it appropriate to treat a 1 in 75 year drought differently from a 1 in 20 year drought, and if so how?***

Our view is that the length of time support is available should be greater for a 1 in 75 year drought as it will take longer for farmers to recover.

***What measures should be provided to support farmers in such a drought?***

The Government should provide an enhanced level of existing support measures to meet the increased demand for services that extends well into the recovery period.

## Policy Idea 12 – Farm Business Improvement

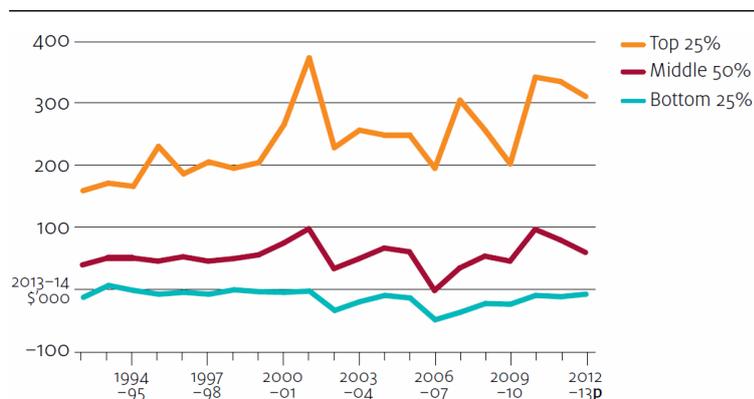
The Australian Government will provide \$74 million of funding to the RFCS Program nationally over a four year period to June 2015<sup>1</sup>. RBS believes that through expanding the role and target client group of the RFCS, the Australian Government can leverage from the investment it has made in the RFCS program to date.

*In particular, the RFCS network is already established to provide independent business advice and assistance to farmers to improve decision making and performance (policy idea 12.a).*

However, the current deed of grant funding for the RFCS limits the provision of assistance to clients who are in financial difficulty and have no alternative sources of impartial advice. This is generally accepted to represent the lower 20-25% of farm businesses. ABARES report that this group of producers has averaged negative farm cash incomes over the last 15 years and produces only 8% of the national broad acre crop.

RBS proposes that the RFCS target client group be expanded to include the next 50% of primary producers. ABARES report that the middle 50% of broad acre farmers average less than \$100,000 per year in farm cash incomes – and once depreciation and tax are included are likely to barely break even.

Farm cash income, all broadacre farms



p ABARES preliminary estimate.

[ABARES Australian farm survey results 2011–12 to 2013–14 \(p50\)](#)

RBS believes that there are many good reasons for the target client group for rural financial counselling be extended to cover what ABARES describes as the “middle 50%” of farm businesses:

- This group of clients generates 34% of broad acre production – as such it has capacity for productivity improvements through implementing farm business improvement practices
- With improved financial literacy and farm business management skills, this cohort can have improved decision making capabilities to implement farm business improvement practices
- With positive farm cash incomes, this target group have the capacity for investment in proven agricultural R&D

<sup>1</sup> NRAC Report on the Review of the Rural Financial Counselling Service Program, 2014

- RFCS is ideally situated to provide information and financial decision making support to farmers considering the extension of agricultural R&D into their farm business
- RBS has existing relationships with NRM, industry groups and agricultural networks who can provide technical expertise and support to extend R&D

With regard to an extended role for the RFCS, we advocate that the Australian Government maximises future investment in agricultural policy through utilising the existing RFCS network as a “one-stop shop” (*policy idea 12.b*).

An expanded RFCS could provide the following services to a broader target client group:

- traditional rural financial counselling assistance
- independent information and business advice for enhanced decision making
- financial information and decision support for farmers to implement agricultural R&D practices that provide greater returns at the farm gate
- information, decision support and referrals to government assistance
- information and decision support to increase uptake of professional advice and referrals to agronomists, accountants, lawyers, financial planners, succession planners, agricultural consultants and other professional service providers
- allied mental health care support (appropriately qualified) to encourage links between clients and community mental health care services
- farm debt mediation support
- financial and business management capacity building to become “investment ready” and able to access a broader more competitive range of finance and capital

The objectives of an expanded RFCS could include:

- enhancing the capacity and capability of farm businesses to make decisions to improve their financial position
- encouraging early adoption and intervention to enable unviable producers to adjust out of agriculture
- developing plans and implementing actions to overcome barriers to profitability and sustainability

The target client group of an extended RFCS Program could be defined as primary producers, fishers and small rural businesses that are reliant on agriculture. Eligible clients would include those who are experiencing financial difficulty and those who have the capacity to improve their profitability and sustainability. In terms of the ABARES statistics, this would include both the lower 25% and the middle 25% of agricultural producers.

***Recommendation 2: That the Australian Government expand the role of the RFCS Program to deliver a broader level of services to a broader target audience within agriculture, with a strong focus on financial literacy that leads to farm business improvement.***

Further to our recommendation to expand the role and target client group of the RFCS, RBS has developed a proposal for a proactive farm financial literacy and business management program.

*“SA’s New Proactive Model to Deliver Better Returns at Farm Gate”*

The program is based on early engagement and on-farm follow up, to inspire farmers to adopt sound finance, business and production practices. The program will use new accelerated learning techniques and on-farm support to break through the financial literacy barrier (stage 1) and then break through the best practice adoption barrier (stage 2), which are holding back primary producers from achieving profitable returns at the farm gate.

A key outcome of the program is to encourage and develop linkages and networks between producers, industry groups, research development and extension providers and agricultural education services (*policy idea 12.c*). The program will also provide opportunities for use in secondary and tertiary agricultural education (*policy idea 14.a*). The flexible delivery and support model will allow the program to reach beyond the “traditional” farmer to young farmers, female farmers, new farmers and special interest groups (*policy idea 14.b*).

Stage 1 includes “Business Basics” with a focus on strategic finance and business options. Stage 2 is “Best Practice” with a focus on strategic finance and production options. In Stage 1 links will be provided to local accounting, banking, finance and business groups. In Stage 2 links will be provided to local crop, agronomy, training, education and consulting groups.

A significant opportunity exists to lift profitability and productivity by supporting the middle 50% of farmers to adopt sound financial, business and crop production practices. To achieve this a new approach is required as it is obvious from the profitability and production data and strategic trends reported in the Green Paper that the current approach has resulted in the middle 50% and bottom 25% becoming the “forgotten farmers”. The new proactive program developed by RBS seeks to engage with industry and research bodies to develop clear pathways for the middle group of farmers to adopt best practice (*policy idea 20.a*).

*To achieve this the RDC’s must look beyond the top 25% of farmers and engage with other agricultural service providers such as RBS who are already working with those farmers that are not engaged with current agricultural RD&E.*

**Recommendation 3:** *That the Australian Government provides funding for a new proactive financial literacy program, with a focus on early engagement with on-farm follow up to support the adoption of sound finance, business and production practices.*

RBS has been working collaboratively at both state and federal levels to develop this program, which is supported by publicly available research and research. Discussions have been held with the Agriculture Minister’s office, the Departments of Prime Minister and Cabinet and Agriculture and numerous stakeholders. There is overwhelming support for a new approach to putting business

basics (stage 1) and then sound finance, business, marketing and production techniques (stage 2) into practice.

In addition, RBS has received interest from the Australian Banking Association to potentially partner in this program.



## APPENDIX A



Response to the National Rural Advisory Council  
**Review of the Rural Financial Counselling Service  
Program – 2014**

**Kay Matthias**  
**Chief Executive**

14 November 2014

## EXECUTIVE SUMMARY

---

The NRAC Report on the Review of the Rural Financial Counselling Service Program (the Report) clearly demonstrates the ongoing need for rural financial counselling. Rural Business Support (RBS) firmly supports the majority of recommendations in the Report and agrees that there is room to improve on the efficiency and performance of the Rural Financial Counselling Service (RFCS) program.

RBS strongly advocates the state-wide service model which having been developed in South Australia (SA) and successfully run for eight years. We believe that to be the key factor in being recognised as a “high performing service” in the 2012 Pricewaterhouse Coopers *Performance Assessment of Rural Financial Counselling Service Providers*. The state-wide service model provides the capacity for both a highly professional skills based board with strong corporate governance experience and leadership from an experienced and professional chief executive.

RBS would argue that a nation-wide cut of 20% and in particular the 33.6% reduction to South Australia would see a severe impact on service provision.

The recommendation to reduce program funding by 20% appears to be somewhat arbitrary and not based on a thorough analysis of the actual costs of service provision. Further, RBS believes that a funding allocation based purely on the number of farm businesses in each state is overly simplistic and does not factor in the cost of servicing a large geographic area. Should funding be reduced to the level proposed on p92 of the Report, RBS would not be able to provide the same level of service to clients, nor be in a position to govern and manage service provision to the same high standard that is currently undertaken.

However, we appreciate the opportunity to respond to the Report and commend NRAC for its thoroughness and consultative approach.

The following provides additional information under each recommendation which we trust will be taken into consideration in the further development of the RFCS program.

Kay Matthias  
Chief Executive

## **RECOMMENDATION 1:**

---

RBS agrees that there continues to be a need for rural financial counselling assistance to farmers suffering financial hardship. ABARES statistics provide strong evidence of clients in financial hardship – including the projection that 44% of SA broad-acre farms are forecast to have negative farm business profit in 2013/14 (64% for all of Australia).<sup>2</sup> These statistics highlight the current threat to long term sustainability and viability of farms and the need to improve the financial literacy and business management skills of Australia’s farmers. There will always be a need to help primary producers to improve their financial position, either by way of adjustment out of agriculture or within their farming enterprise.

Due to the unreliability of ARC data, ABARES statistics currently provide the best independent information for determining the need for rural financial counselling assistance. In addition, ABARES methodology and terminology should be used as the basis for determining the eligibility of clients and the recording of data in ARC. However, ABARES data must be used in conjunction with other data sources as it only represents broad-acre and dairy industries. Horticulture and viticulture are also key primary industries contributing to the South Australian economy.

## **RECOMMENDATION 2:**

---

RBS agrees with the principle of a professional skills-based board, with robust recruitment processes and time-limited tenure. However, RBS would caution that there remain some flexibility for boards in regard to the number and remuneration of board members. Successful professional Boards require a broad and diverse range of skills and experiences and may at times require additional skills to be recruited to fill identified skills gaps. RBS experience supports a board size of seven with the capacity to increase to a maximum of nine should the circumstance dictate that specific skills be required in certain circumstances.

RBS bases its remuneration on the Remuneration Tribunal Determination for part-time holders of public office – however for administrative ease RBS makes payment of an annual “honorarium” in monthly instalments. The Remuneration Tribunal Determination is based on a daily sitting fee and does not adequately take proper consideration of the time committed by board members in preparation for meetings as well as attending any additional committee meetings.

In addition, RBS expects its board members to hold corporate governance qualifications with the Australian Institute of Company Directors, in particular to have completed the Company Directors Course.

---

<sup>2</sup> ABARES Australian Farm Survey Results 2011-12 to 2013-14, Financial Performance of broad-acre industries by state, p20.

### **RECOMMENDATION 3:**

---

RBS has expressed concern in the past where the Department has implemented policies that place a higher level of risk on board members. For example, the Department has sought to implement policies relating to redundancy and employment conditions which may be inconsistent with industrial relations law – a risk that must be managed by the board of directors.

Implementing policies which duplicate existing Australian law leads to potential conflict and additional unnecessary compliance monitoring by the Department.

RBS agrees that the roles and responsibilities of the Department, service provider boards and executive officers must be clearly defined and delineated. The Report clearly outlines the role of the Department in overseeing the monitoring and evaluation of the program and the responsibility of boards to manage corporate governance, strategy and delegation of operational matters to the Executive Officer.

### **RECOMMENDATION 4:**

---

External performance audits have helped to identify and rectify many of the concerns raised in previous reviews of the RFCS program. Client satisfaction surveys have provided considerable anecdotal and qualitative data that demonstrate the benefit to clients of the service. Clear and measurable performance indicators based on the objectives of the program should enhance the data from these two existing resources.

### **RECOMMENDATION 5:**

---

To ensure reliable and nationally consistent data, the ARC database must be based on recognised methodology and terminology. RBS recommends that the ARC database and data entry guidelines be based on the ABARES research methodology – which will allow for RFCS data to be comparable with national statistics.

The Report clearly identifies one of the key problems with the ARC database in that it was initially a system created to assist client management however it is now also used for other purposes. The purpose of any new system must be clearly defined. A system with multiple purposes may be too complex to be effective. It is RBS's view that service providers should be responsible for client management systems and the Department responsible for monitoring and evaluation systems.

### **RECOMMENDATION 6:**

---

RBS agrees with the proposal to have pre-defined service areas to ensure Australia-wide coverage and is pleased to note the inclusion of the Northern Territory in consideration for future funding on p92 of the Report.

RBS would like to suggest that consideration be given to service areas which cross state boundaries servicing the same or similar industries. For example, synergies exist for a single service area to cover the northern cattle industry regions in NT and the Kimberley or the horticultural and viticultural region of the Murray Darling Basin.

#### RECOMMENDATION 7:

The Report has not considered any potential for efficiencies from service providers managing multiple service areas or indeed one national service. In addition, consideration may be given to funding one service to provide ‘back office’ administrative functions (i.e. payroll, accounts, IT support, etc) for additional cost efficiencies.

RBS believes that the funding received to provide RFCS assistance in the NT has been maximised through leverage of the existing RFCS funding received by RBS.

#### RECOMMENDATION 8:

RBS agrees that current client numbers recorded in ARC should not be used to allocate RFCS funding. However, using the number of farms within a state as the basis for funding as proposed may be too simplistic. Density of farming, industry type and the logistics of covering a geographic region must also be taken into consideration.

For example, the number of producers in the Riverland region involved in wine grape production is currently producing a higher level of demand for assistance. Negating the increased demand however, is the higher density of producers in the region, which requires less travel time to client properties and the ease for clients to attend appointments in a regional office.

In contrast, the Eyre Peninsula is almost entirely devoted to agricultural production, covering an area of over four million hectares. Despite having a lower number of agricultural businesses, the Eyre Peninsula requires the same number of staff as the Riverland.

Land used for Agriculture ('000 ha) ABS <sup>3</sup>									
2013	58 848	12 146	129 548	49 431	90 494	1 612	54 496	39	396 615
Current RFCS Office locations (www.rfcs.gov.au)									
	38	19	10	7	9	2	0	0	85
Current Area covered per RFCS office ('000 ha)									
	1 548	639	1 296	7 062	10 055	806	-	-	4 666
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUST

<sup>3</sup> Australian Bureau of Statistics 7121.0 Agricultural Commodities 2012-2013, 30/5/2014  
APPENDIX A – Response to the NRAC Review of the RFCS Program 2014

The figures in the table above demonstrate that a rural financial counsellor in SA is currently providing services across an average area of 7 million hectares.

While RBS agrees with the concept of retaining a proportion of funds to allow for fluctuations in demand, in practice there are many factors that would be problematic:

- The timeframes would have to be closely managed to ensure appropriate lead times to recruit, train and induct new staff to potentially fill 12 month employment contracts. In a best case scenario, it takes at least 6 months to recruit, train and induct a new RFC to an acceptable and productive standard.
- It is difficult to attract and/or retain skilled and qualified staff on short term (12 month) contracts.

RBS believes that in the long run, it is better to provide a greater proportion of core funding over a longer period of time and manage “flexibility” in staffing options and mobility clauses to cover fluctuations in demand.

#### **RECOMMENDATION 9:**

---

RBS has maintained flexibility in service delivery through a range of staffing options:

- Employing part-time staff with the capacity to increase to full time to meet periods of higher demand
- Employing pool counsellors based in Adelaide who are required to frequently travel to regions experiencing peak demand for services
- Temporary relocation of a rural financial counsellor to the NT for short term provision of service

The Report rightly identifies that there are limits on these and other methods of maintaining a flexible workforce. Employing staff on a part-time basis can have drawbacks in that the administrative burden placed on part-time staff is the same as for full-time staff but with less working hours. The costs of providing a full-time office and vehicle can also be prohibitive to employing someone at less than 0.8 FTE.

RBS would caution against the use of casual and short term staff to provide in-depth rural financial counselling and business management support to clients which could compromise the standard of service delivery. However short-term staff may be effective in exceptional circumstances to help clients with emergency response and address short-term welfare needs.

Utilising alternative communications platforms to meet with clients is addressed in our response to recommendation 20.

#### **RECOMMENDATION 10:**

---

From experience operating in the Northern Territory, the additional burden placed on staff required to travel frequently to other locations must not be underestimated and therefore must be carefully managed. RBS staff willingly travel to other regions to expand their knowledge and experience. However, consideration must also be given to:

- adequate recovery time following a trip to manage fatigue and TOIL
- adequate recompense for the time away from family and associated inconveniences

#### **RECOMMENDATION 11:**

---

RBS considers the eligibility of clients as a key indicator of performance for rural financial counselling staff, monitored closely through the annual audit of ARC and client records. RBS considers that the financial ratios calculated in the EAP provide evidence of eligibility for service.

RBS agrees there are benefits to a two part process for determining eligibility and the segregation of short-term clients from those requiring ongoing assistance. However, RBS would argue that there should be a 'mutual obligation' for those receiving short-term assistance to undergo a "financial risk assessment" to ensure that short-term assistance is not hiding an underlying issue in a business's financial or management structure. There is evidence that some clients return on a regular basis for short-term assistance without addressing the fundamental cause of their financial difficulty.

#### **RECOMMENDATION 12:**

---

RBS operates as a parent organisation with a Rural Financial Counselling division, trading as Rural Financial Counselling Service SA.

RBS has two separate accounting systems to segregate RFCS funding from other sources of funds. In addition, RBS has recruited an independent member to the Audit, Risk and Compliance Committee to provide additional assurance and accountability for RFCS funds.

RBS advocates the use of a standard audited acquittal reporting template for service providers to report on its use of RFCS funding – not to be confused with statutory reporting requirements for ASIC or state based incorporation legislation.

#### **RECOMMENDATION 13:**

---

RBS would suggest that rural financial counsellors be required to attend a minimum amount of continuing professional development – particularly for longer term employees who completed the Diploma of Community Services many years ago. All RFCs in South Australia have recently completed the Advanced Diploma of Agribusiness which we believe is an appropriate next stage.

**RECOMMENDATION 14:**

---

The licensing exemption for rural financial counsellors has always been considered a “grey area”. Prior to implementing this recommendation, RBS would advise a requirement for staff training and consideration to the adequacy of current professional indemnity policies which generally exclude the provision of any form of advice. Removing this exclusion from Professional Indemnity policies could be cost prohibitive.

**RECOMMENDATION 15:**

---

RBS argues that there are elements of the EAP which are of use to rural financial counsellor and their clients. However, not one tool is capable of managing the variety of client needs. Rural financial counsellors require a suite of tools to address financial analysis, risk management, succession and business planning and decision support needs of clients. The EAP on its own cannot address all of these needs.

RBS believes it is the responsibility of service providers to develop the systems and tools required for service provision and client management. There is capacity, however, for service providers to share in the development costs as a way of achieving shared efficiencies and commonality.

**RECOMMENDATION 16:**

---

RBS requires RFC staff to review their client case load on a monthly basis and close inactive clients. This is closely monitored by management.

**RECOMMENDATION 17:**

---

RBS agrees there is need to address the issue of client dependence upon both the RFCS and government assistance. We have proposed a mutual obligation approach (see recommendation 11) to assist in addressing the issue of dependence on government support.

ARC data does not clearly identify those clients who return to the Service for short-term assistance on a recurring basis.

**RECOMMENDATION 18:**

---

RBS agrees with this recommendation with the proviso that consideration be given to those clients who make the decision to exit agriculture. The three year limit on FHA income support is adequate time for those who have decided to exit, however for those who leave the decision too late may require longer term rural financial counselling assistance from the date they make their decision.

RBS appreciates that the Report allows the flexibility for executive officers to have discretion to cater to this type of scenario.

---

**RECOMMENDATION 19:**

RBS believes there is opportunity for stronger promotion to financial institutions and professional networks to encourage a greater number of referrals to the Service.

---

**RECOMMENDATION 20:**

RBS has implemented innovative approaches to providing services to clients in geographically remote locations both during the 2006-2010 drought and more recently in provision to the Northern Territory.

During the drought period, RBS managed increased demand for support by providing ‘drop-in’ application centres, co-locating and co-operating with other drought support services in a regional office and encouraging the scheduling of appointments in RBS offices. This facilitated many positive outcomes, including:

- More efficient use of RFC time by having clients visit the office.
- The break-down of the culture of client’s fear of being seen to need help from the RFC.
- The enhanced perception of the RFCS as a professional provider of business support.

Support to the Northern Territory has included a fly-in / fly-out service on an as-needs basis, with initial appointments being on farm. Follow up has been primarily through email, phone and on-line meetings. The on-line meetings have been very beneficial, but are highly dependent on high-speed internet via satellite.

While RBS supports the use of innovative service provision – and acknowledges that there are many further opportunities available here –the lack of high quality and high speed internet access in remote South Australian locations and ‘black spots’ where there is no mobile or internet coverage prevents this from being an option in many situations.

---

**RECOMMENDATION 21:**

A clear and concise charter should form the basis for a monitoring and evaluation framework to measure the performance of the program, each service provider and also for rural financial counselling staff.

---

**RECOMMENDATION 22:**

RBS agrees there is a role for RFC to provide for the immediate welfare needs of clients. A client’s hierarchy of needs requires their welfare and human needs to be addressed prior to the consideration of the farm business’s needs.

However, RBS also believes that short-term assistance, while necessary, does not assist in building the capacity and capability of clients to address the core issues facing their business. RBS would advocate for a financial risk assessment being a pre-requisite, or mutual obligation for all clients to ensure that short-term assistance does not over shadow a deeper underlying issue with a farm business. At that point in time, the requirement for further assistance and eligibility for that assistance may be assessed. The benefits of the proposed 'financial risk assessment' should not be underestimated.

RBS would argue that RFCS support should include debt restructuring applications such as the Farm Finance Concessional Loans as financial difficulty is part of the eligibility criteria for these loans. However, it is agreed that the application should be part of a holistic review of the farm's business and financing structure.

---

**RECOMMENDATION 23:**

RBS agrees that business improvement related activities are core to the provision of RFCS assistance.

---

**RECOMMENDATION 24:**

RBS agrees that there should be greater emphasis on ensuring uptake of referrals.

---

**RECOMMENDATION 25:**

There is currently no legislated requirement for farm debt mediation to occur in South Australia. RBS advocates for a consistent national approach and appreciates that this is a focus of the current government.

RBS encourages the use of farm debt mediators with clients and provides support as required in negotiations with financiers.

---

**RECOMMENDATION 26:**

RBS believes that there may be opportunities for service providers to work with banks and others on a fee for service basis, on the proviso that potential conflicts of interest are declared and managed; and independence, confidentiality and financial accountability are maintained.

---

**RECOMMENDATION 27:**

While agreeing with the recommendation to provide succession planning assistance only to eligible clients, RBS would suggest that the financial viability of a farm can be severely impacted by a lack of

succession and retirement planning. RBS would argue that it is best practice for all businesses to have some form of succession plan in place – a fact recognised by banks who consider succession in their risk assessment of farming businesses.

---

**RECOMMENDATION 28:**

If forestry is to be considered for rural financial counselling assistance, RBS would propose that aquaculture enterprises currently excluded from eligibility should also be considered.

---

**RECOMMENDATION 29:**

Mental health is frequently a barrier to RFCS clients making sound business decisions and hence reduces the capacity for timely outcomes to be achieved.

The accessibility of mental health services in rural and remote locations is limited:

- There are no on-farm providers of mental health or social counselling.
- Mental health plans, support from GP's and other psychological services can be provided through Medicare, however are not able to be provided remotely.
- Privacy and confidentiality can be managed with appropriate agreements; however it can be very difficult to get clients to engage with mental health support workers.

While RBS acknowledges that the RFCS program was not designed to provide social counselling or mental health support, we urge that more consideration be given to overcoming the mental health barriers that are preventing favourable outcomes with RFCS clients.

---

**RECOMMENDATIONS 30-32:**

RBS agrees that there must be clear delineation of clients assisted under the FHA program and regular clients of the Service. The FHA has resulted in considerable workload to date which is not expected to decrease. While DHS case officers are taking on a case management role, the sheer number of recipients prevents them from providing the same level of support in terms of time and the specialist farm business /finance knowledge that can be provided by a rural financial counsellor.

RFCS clients have shown frustration during the implementation of the FHA process and the apparent duplication of work done by RFCS with existing clients transferring onto FHA. RBS is working with the South Australian DHS case officers in the hope to avoid repetitive requests for information from clients - however the privacy requirements of the Social Security Act make it very difficult for two way cooperation.

The Report indicates that FHA has the potential to reduce the number of producers requiring RFCS assistance, however to date this is not the case and we believe will continue to be a major source of client work in the following year.

### **RECOMMENDATION 33:**

---

RBS believes that there are opportunities for improvements in service delivery that can create efficiencies with RFCS funding. However, the preliminary projection of future Australian Government funding (Appendix E of the Report, p92) would severely impact on the delivery of services provided to clients in South Australia.

As discussed in recommendation 8, RBS believes there is need for a minimum of nine RFC to adequately provide services across the agricultural regions of South Australia. Allocating funding based purely on number of farms is too simplistic as it does not take into consideration the geographic spread of farms in SA compared with other states such as Victoria. In addition, RBS believes that the model of service delivery in SA provides both efficiencies in not only terms of costs but also the benefits as described within the Report to a state-wide service.

The Report outlined that service providers acknowledged excess capacity, which may have been correct at the time of NRAC's visits. RBS acknowledge that some excess capacity existed at the time as a result of an additional rural financial counsellor employed under the Farm Finance program. This funding was not included in the funding totals provided in Appendix E of the Report and may also account for excess capacity in other regions.

## **CONCLUSION**

---

Rural Business Support – its staff, board and management – welcome the findings of the NRAC review and the opportunity to contribute this response. Many of the recommendations are consistent with RBS vision and purpose of providing support to the primary industry sector to assist clients in managing change and adjustment.

While we have concerns about the proposed changes to funding levels, RBS is open to work collaboratively with government, the Department of Agriculture and other service providers to improve the outcomes of the RFCS program.

