1 OVERVIEW

The Rural Financial Counselling Service (RFCS) Program is funded under the *Agriculture Advancing Australia* (AAA) package. The program provides grants to non-profit community groups that offer assistance with financial decision-making to primary producers, fishers and rural small businesspeople who are experiencing financial hardship and who have no other sources of financial assistance or information. The current RFCS comprises 63 community-based, longer-term services and 5 short-term industry adjustment services. These cover most of the agricultural regions of Australia (see Appendix 8).

1.1 THE RURAL FINANCIAL COUNSELLING SERVICE PROGRAM REVIEW

In the May 2004 Commonwealth Budget, the Australian Government announced further funding of $23.3 million for the RFCS program until 30 June 2008. It was also announced that a review 'of the performance of Rural Financial Counselling Services across Australia with a view to determining the efficiency, timeliness and suitability of current administration and community management structure and delivery mechanisms' would be conducted.

On 10 August 2004, the Australian Government asked the National Rural Advisory Council (NRAC) – an independent committee of primary producers and agribusiness professionals – to lead the RFCS Review, which would provide advice on:

- the nature, distribution and magnitude of need for rural financial counselling services

CONTEXT/BACKGROUND

2 THE AUSTRALIAN GOVERNMENT AND AGRICULTURAL ADJUSTMENT

2.1 THE RATIONALE FOR GOVERNMENT INTERVENTION IN ADJUSTMENT

To measure the effectiveness of the RFCS program, it is important to understand its role as part of a suite of public and private-sector initiatives, in enhancing industry and enterprise adjustment.

Agricultural adjustment is the process of adapting to change – whether at the industry or the individual enterprise level. While adjustment is often characterised as negative, it can often be positive, such as when market opportunities are captured or technical or business innovations adopted. However, not all enterprises are well-positioned to respond promptly to such opportunities or pressures, with negative consequences ranging from missed opportunities to hardship for farm families and rural communities.

Government assistance to the farm and fishing sector has taken three forms:

1. activities that improve enterprise competitiveness but require a scale of investment that is beyond the capacity of individual enterprises – for example, border protection, market maintenance, research and development

2. programs to improve access to information, enhance uptake of innovation and *build the capacity of enterprises* to respond more effectively to market and other signals
3. welfare programs that reduce hardship for farm families in the short term.

Forms of intervention, such as welfare programs, have the potential to muffle signals from markets, climate forecasters and changes in the operating environment. Government policy has attempted to clearly distinguish between these forms of support, and to ensure that the 'welfare safety net' does not prevent farm enterprises from recognising and responding to indicators of a need for long-term change.

By underwriting risk, government policy can discourage self-reliance and responsiveness and encourage producers to continue in an industry when it is no longer in their best interests to do so. Government intervention should act to enhance the responsiveness of primary producers and small rural businesses to changing circumstances and to changes in their own viability.

Therefore, to determine how effectively the RFCS program has 'met need' in the sector, the review committee determined that it would be important to determine the extent to which the program operates as a component of the government's welfare safety net for the sector, and the extent to which it builds the capacity of farm families to make informed decisions and to respond to challenge and change.

2.2 THE DRIVERS OF ADJUSTMENT

Six adjustment pressures continue to affect the farm sector and highlight the need for farm families to consider future options to maximise their business outcomes in or out of the industry:

- terms of trade and farm scale
- cost of capital
- changes in markets and consumer preferences
- resource access
- climate change
- land value and peri-urban competition for land.

Many of these pressures are generic and also apply to the fishing industry.

2.2.1 Small rural businesses

In the rural sector, the prosperity of the farm sector significantly influences the viability of small rural businesses. For this reason, the RFCS provides financial counselling to these enterprises as well as to primary producers.

The impact on small rural businesses of downturns in the farm sector is not uniform. Two variables determine the extent to which small business viability will be affected by farm-sector crisis.

1. **The nature of the business:** small businesses that supply goods and services to only the farm sector are more vulnerable than businesses that service the wider community.
   - These businesses are affected both by a decline in the quantum of goods and services purchased and by a change in the pattern of purchasing. When incomes fall in the farm sector, enterprises tend to shift from bulk, annual purchasing to short-term purchasing as needed, making stock control more difficult.
   - Small businesses providing goods and services that could be deferred (such as furniture and appliances) are also affected, but small businesses selling household staples (such as food) are only minimally affected.
2. **The region's economic reliance on the farm sector.** The impact of farm-sector downturn on small rural businesses is less severe when the local economy is more diverse. Figure 1 shows regions where 50% or more of local employment relies on agriculture. It is in these regions that farm-sector downturn will impact most severely on small business viability. Appendix 5 gives a map of socio-economic disadvantage by region.

Other drivers of change

There are other drivers of change for small rural businesses, including demographic changes in rural communities that affect purchasing patterns. These include the following:

- **Youth migration to cities.** There has been a rapid decline in the number of persons under 25 entering agriculture. Cities and larger regional centres attract young people because of educational and social opportunities, and diverse career choices (Barr 2004).
- **Ageing farmers and mature entrants to farming** – including those farmers who have been unable to attract a younger generation to take over a farm enterprise, and those who are new entrants to primary production following a career in a more developed rural or regional centre (Barr 2004).

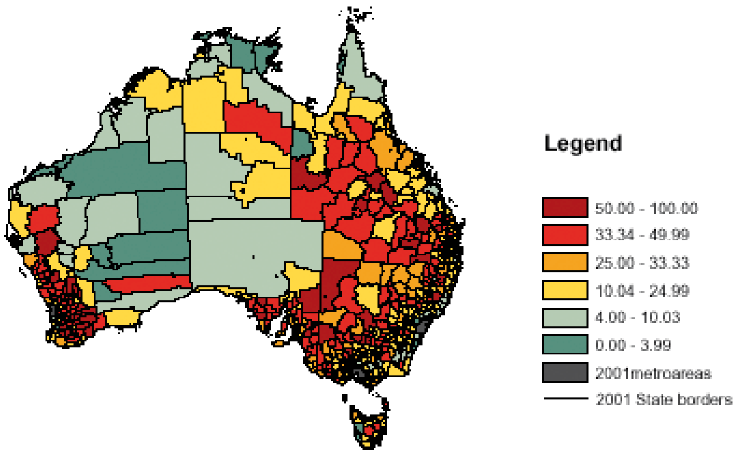

Figure 1. Proportion (%) of workforce employed in agriculture (Bureau of Rural Sciences 2001). Farm sector downturn will have the most serious effect on regions where 50% or more of the local population relies on agriculture for employment

- **Ethnic change.** There is a growing Indigenous population in the NSW Western Division and other remote/semi-arid communities.
- **Overall population decline in small to medium-size centres.** Stayner (1997) notes that there has been 'a continuing trend of depopulation of the hinterland and growth of a limited number of regional centres. This decline is an inevitable outcome of competitive pressures towards aggregation in agriculture, the decoupling of the farm sector from small town economies and the absence of other industries within these landscapes.'
- **Loss of infrastructure and social networks.** The economic case for private-sector activity and for government funding for infrastructure is closely linked to population, and as infrastructure and commercial activity declines, rural communities begin to bypass their local centre to shop and do financial business in larger centres. This further erodes the viability of infrastructure and small business in small, local centres. In addition, the growth of large-scale enterprises in agriculture has been accompanied by increased use of the Internet to source – often at some distance from the local region – best-price inputs to production.

2.2.2 Adjustment in Australian fisheries

During the state-by-state consultations, the review committee invited input from the fisheries sector to determine the sector's need, current and anticipated, for rural financial counselling services, but most organisations did not take advantage of this opportunity. The review committee received one written submission from the South Australian Fishing Industry Council (SAFIC), while the Tasmanian Fishing Industry Council (TFIC) accepted an invitation to address the committee during its consultations in that state.

In its submission, SAFIC said there was a need for part-time counsellors to work with smaller groups with special and possibly unique needs – such as the sections of the fishing industry subject to structural adjustment pressure:

> There is a case to be made for fishing specific rural financial counselling…Other rural counsellors, as well as my own experience, shows me it is difficult to have fishers open up to rural counsellors who normally deal with farmers and pastoralists. Fishers don't see these services as 'for them' and the fishing industry and its issues may be outside of the knowledge and experience of some rural counsellors.

This point was reiterated by TFIC, which said it knew little about Rural Financial Counselling Services. It would like to see a communication strategy and the inclusion of fisheries in the RFCS client group.

A 2004 report by the Australian Bureau of Agricultural and Resource Economics (ABARE) (Gooday 2004) found that the three most prevalent pressures for structural adjustment in the fisheries sector arise from: capacity management problems, and the associated depletion of stocks and decline in operator returns; changing market conditions; and resource reallocation. The ABARE report concluded these pressures should result in some form of structural adjustment:

- Both autonomous and induced structural adjustments may be required to ensure that stocks are maintained and that the benefits to the community from the exploitation of the fisheries resource are maximised.

The report also examined what should be the role of government in structural adjustment of Australian fisheries. It suggested that governments had a specific role to play in preventing the market failures that occur with open-access fisheries and lead to unsustainable harvests and the dissipation of economic returns. The primary role for government in structural adjustment was to establish a management regime that removed any incentives that would lead to overcapacity and facilitated autonomous adjustment in response to changing economic and biological conditions.

2.2.3 Terms of trade and farm scale

In the past two decades, commodity prices have continued to trend downward (Figure 2), while many input costs have climbed. The result has been a relentless squeeze on those farms that are on the limits of viability. This continuing downward pressure is one of the main reasons why a new group of farm enterprises (estimated at between 10% and 25% of enterprises) becomes marginally viable in each decade.

Farm enterprises have responded to these pressures by diversifying, by increasing productivity and/or scale, and by innovating in ways that help to reduce input and transaction costs. Data for broadacre farming enterprises shows that enterprises operating on a larger scale have an advantage over those in the bottom third, as shown in Figures 3 and 4:

In response to these pressures, the average size of Australian commercial farms has continued to grow, as shown in Figure 5.

Three factors contribute to the ability of larger-scale enterprises to achieve greater levels of productivity and profitability:

1. ability to produce for a price due to:
   - economies of scale in purchasing inputs
   - more cost-effective marketing and transport
   - ability to purchase and use technology that reduces labour inputs
2. better networking and consumer/market information
3. significantly greater uptake of innovation.

Analysis by ABARE indicates that there is a strong association between the uptake of innovation and farm profitability, and that there is a significant difference between the top and bottom terciles of the farm sector in the uptake of innovation. Industries such as broadacre cropping (Figure 6), which have made significant use of new technology, have been far more successful in keeping ahead of price decline than have industries such as the wool industry (Figure 7).

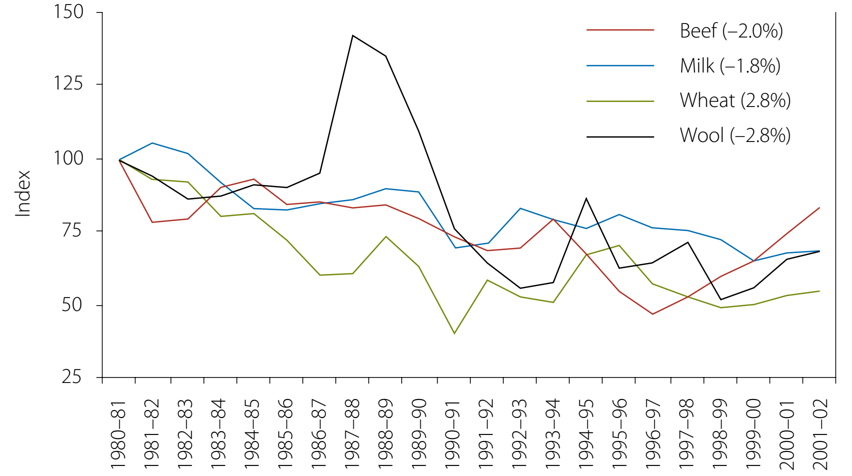

Figure 2. Index of real prices of farm commodities (milk, wheat, wool and beef), 1980–81 to 2001–02: 1980–81 = 100.

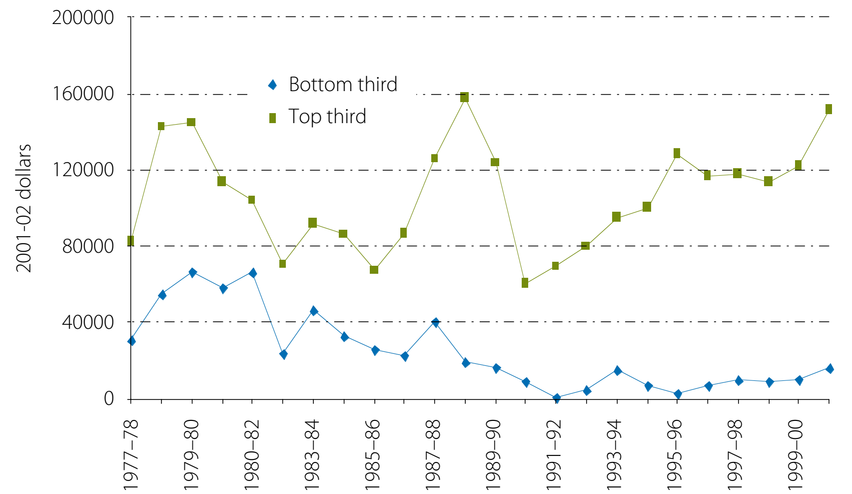

Figure 3. Cash incomes (2001–02 dollars) of the top and bottom income terciles of farms in the broadacre industries (ranked by sheep equivalents), 1977–78 to 1999–2000

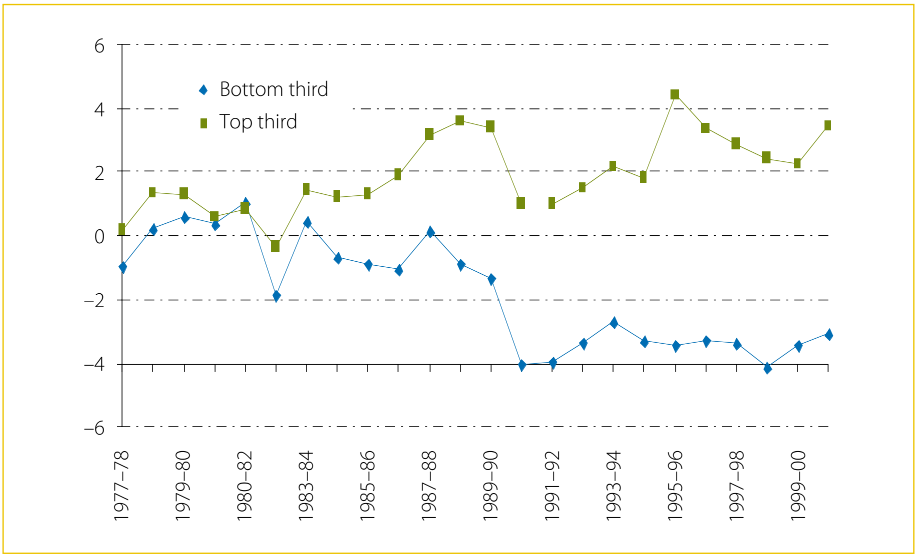

Figure 4. Rates of return of the largest and smallest terciles of farms in the broadacre industries (ranked by sheep equivalents), 1977–78 to 1999–2000

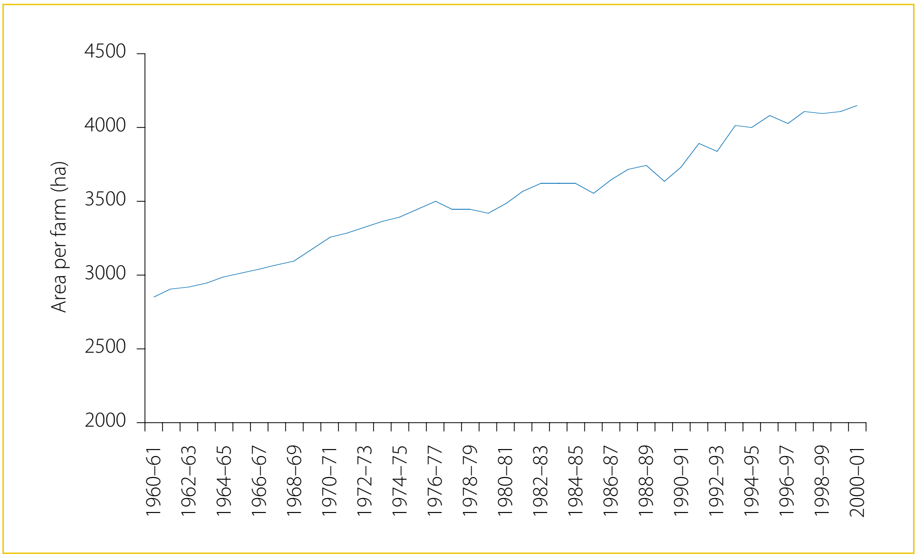

Figure 5. Average size (ha) of Australian commercial farms, 1960–61 to 2000–01

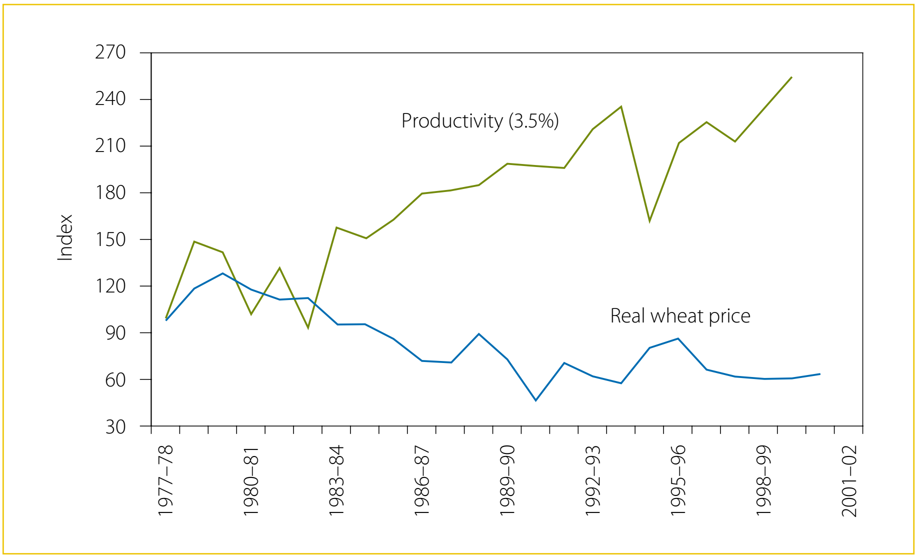

Figure 6. Australian wheat farming annual productivity growth and real wheat price movements

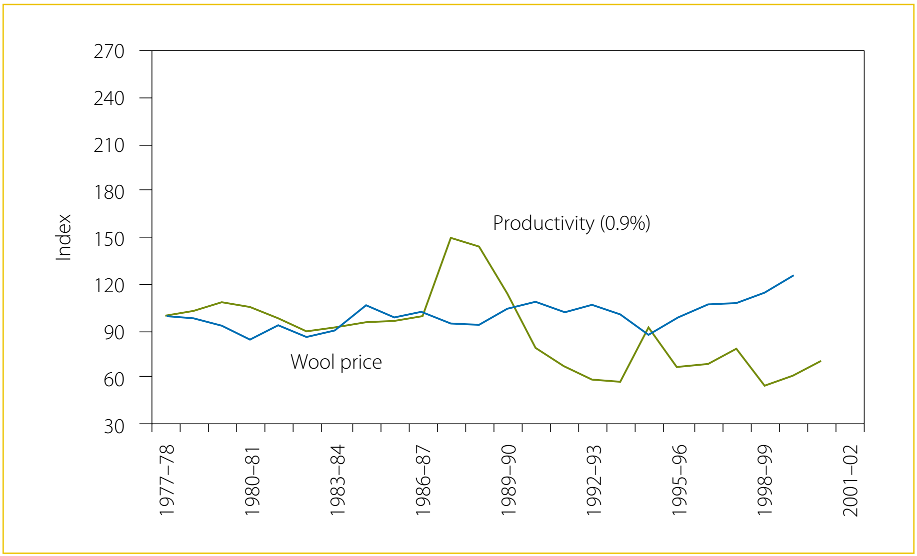

Figure 7. Australian wool growing annual productivity growth and real wool price movements

For all these reasons, ABARE concludes that only farms in the top third of farm size distribution achieved productivity increases greater than the compression in the terms of trade. Other research showed that only those farms in the top 20% of gross receipts generated an average positive return on capital[1,2,3,4].

These pressures mean that there is continued adjustment pressure on farms that are small relative to industry benchmarks. Fewer and fewer farms will produce more and more of agricultural output, and there has been an average annual decline of 1.5% in the number of farm establishments in Australia in recent years (Lindsay and Gleeson 1997). These trends are especially pronounced in dairy farming. Over the past 25 years, the volume of milk production by Australian dairy farms has increased by 50%, while the number of dairy cows has hardly changed and the number of dairy farmers has fallen by 80% (National Land and Water Resources Audit 2001).

The review committee considers that continuing adjustment pressures indicate that there will be a long-term need for information and decision-making support for farm and fishing enterprises considering their future in the industry, and for small rural businesses dependent on these industries. There is also a need to identify at-risk enterprises earlier, before assets are eroded, and for rural financial counselling services to act as a front end for other avenues of support or change.

2.2.4 Cost of capital

As ongoing adjustment occurs and enterprises and operations get bigger, primary producers, fishers and rural businesses increasingly need to take into account the cost of capital in running their businesses and the options of whether to retain capital, invest or obtain new capital from equity or debt.

1 Australasian Agribusiness Services (1997) *Financial Performance of Broadacre Agriculture*, Rural Industries Research and Development Corporation, Canberra.

2 Ha, A. & Chapman, L. (2000) Productivity growth trends across Australian broadacre industries, *Australian Commodities*, 7, 2, pp. 334-340.

3 Knopke, P., O'Donnell, V., and Shepherd, A. (2000) *Productivity growth in the Australian grains industry*, ABARE Research Report 2000.1, ABARE, Canberra.

4 O'Neill, T. and Strappazzon, L. (2000) *Dairy Technology Adoption and Productivity: an Empirical Analysis*, unpublished manuscript.

Rural businesses need to take into account their cost of capital in assessing business options. Where businesses borrow money to invest, the returns from those investments (including any income and/or capital appreciation) must exceed the cost of those borrowings over the longer-term. The cost of borrowing reflects the servicing of debt and is measured by the rate of interest and any associated fees or charges. Continued operation of businesses that are unable to meet their cost of capital over the longer-term will likely lead to the erosion of business equity, in turn reducing the personal wealth of business owners. Hence, the capacity of an enterprise to meet the cost of its capital is an important determinant of business viability.

The cost of capital is affected by many factors, including the prevailing economic climate, interest rates, currency movements, and the level of risk and exposure of enterprises. Businesses therefore need to be well-informed to manage the cost of capital. Accordingly, increasingly complex and comprehensive financial advice should be provided only by qualified professionals.

2.2.5 Changes in markets and consumer preferences

While Australian farmers have benefited from the opportunities of expanding global trade, competitiveness has increasingly been determined by their ability to respond to consumer and market signals. As a consequence, many Australian farmers have shifted from production-based farming to a market-driven approach to agriculture, and have also embraced innovative practices that help to increase price efficiency and productivity.

Leading producers in all countries adopt innovations that enable them to produce more at lower cost. Increased production does not necessarily lead to an immediate increase in demand, however, and successful producers have had to use good market and consumer information to achieve market competitiveness.

2.2.6 Resource access

Changing community expectations, declining resource conditions and a concern for resource sustainability have affected access to resources for both farming and fishing industries, largely through regulation and pricing mechanisms designed to ensure sustainable and equitable access to natural resources. The farm sector is experiencing resource access pressures as a result of:

- changes to the input costs for water-dependent industries
- the allocation of water for environmental flows
- water trading
- changes in community perceptions about the aims of natural resource management

- climate change
- regulations relating to biodiversity
- changes to rules covering clearing and management of native vegetation.

There are predictions that changing resource access, together with declining commodity prices will place many producers in a 'double squeeze'. Reforms and changing regulations may impact on the structure of both industries and regions. In some industries, expansion by large companies with greater capacity to respond to change is effecting the viability of smaller enterprises that cannot compete. The loss of farm families and enterprises from a region affects the viability of associated businesses, and ultimately the presence of adequate support infrastructure for continuing enterprises.

The results of a survey of rural producers in 2002 by Solutions Marketing and Research Pty Ltd (SMR 2002) indicate that producers in a number of industries are already concerned that native vegetation and tree-clearing regulations, native title and water reform will have a significant impact on the economic viability of their enterprise, as the following tabulation shows:

Measure: Level of impact of changing resource access on the viability of the farm	Major impact	Some impact	Total expecting an impact
Water reform	15%	14%	29%
Regulations about native vegetation and tree clearing	11%	9%	20%
Native title	6%	3%	9%
Serious drought	46%	29%	75%

2.2.7 Vegetation

There are both real and notional impacts of native vegetation regulation on productivity and land value. Producers, particularly in subtropical areas, believe that failure to clear will affect their ability to manage existing agricultural land and maintain productivity. In addition, regulations have affected the unrealised development opportunity of uncleared land.

- A study by the University of New England (Sinden et al. 2002) found that native vegetation laws have already reduced farm prices by 20% in the north-west of NSW and are expected to reduce farmers' incomes by as much as 18% by 2005. In Moree, it was reported that the impact on the local economy is '$20 million [and] expected to rise to $37 million in three years'.
- By early 2005, ABARE expects to have outputs from current mapping exercises designed to quantify these impacts, including analyses from in-depth interviews with producers.

The SMR (2002) survey of 2500 farmers across 14 industries indicated that many farmers believed that native vegetation regulations would influence the viability for their enterprise. Figures 8 and 9 show there was considerable variation in expectations between industries and states.

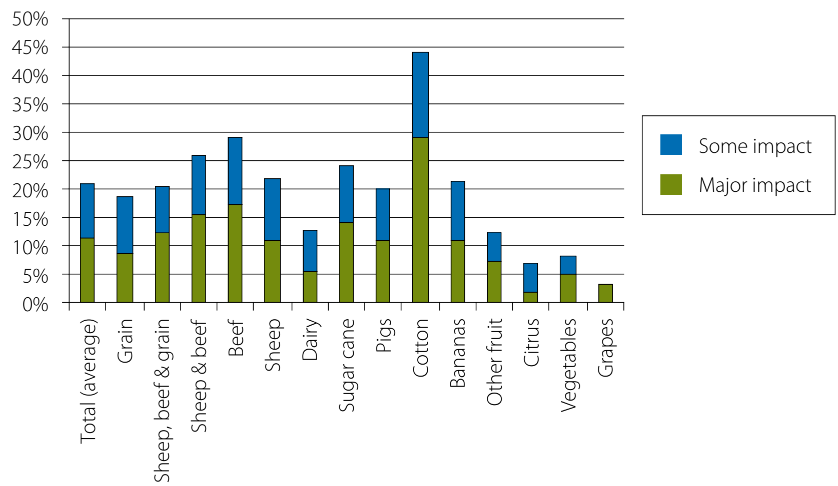

Figure 8. Farmer expectations (by industry sector) of the impact on farm viability of the regulation of native vegetation and tree clearing. Source: SMR (2002)

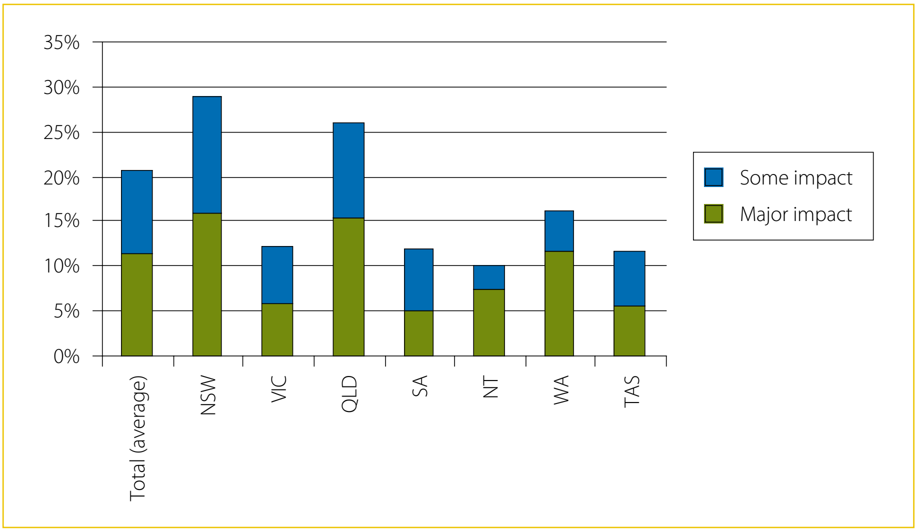

Figure 9. Farmer expectation (by state) of the impact on farm viability of the regulation of native vegetation and tree clearing. Source: SMR (2002)

2.2.8 Water reform

Two factors are transforming irrigated agriculture in Australia: the introduction of water markets and competing demands for the use of water flows. Again, the perceived impact varies by industry and state (Figure 10).

The most significant impact is likely to occur in those regions where water is currently over-allocated and overused (Figure 11). It has been predicted that as many as one in three farms may be lost in affected regions, with the possibility of concomitant social dislocation and loss of infrastructure.

2.2.9 Climate change

While there are many uncertainties about the extent of global climate change, it is generally agreed that there will be increased variability in rainfall and other climate factors over the next several decades. The response to the widespread drought in 2002–04 showed that farmers are better prepared for drought and more self-reliant than in previous decades. The 2002 results of the 2002 rural producer survey (SMR 2002) showed that 70% of farmers who considered that they were at risk from serious drought had strategies in place to manage that risk.

However, over a quarter of farmers who expected to be affected by drought had done nothing to prepare for its impact.

2.2.10 Land value and peri-urban competition for land

The growing demand for landscape amenity in areas around major cities and rural centres creates two dilemmas for agriculture. The demand occurs particularly in the coastal zone, where landowners may enjoy closeness to cities, good views and a benign climate (Barr 2003:2). The first dilemma for farmers is that, over and above the recent boom in real estate values in Australia generally, these peri-urban areas now attract prices that make it difficult for agricultural activity to realise a return on investment. Farmers operating in these areas face a choice.

- To achieve increased scale of operation, the farmer may purchase land at high prices in the current location. This brings a number of business risks and there is little likelihood of a return on capital investment for agricultural production that would compare favourably with other uses for the capital.
- Alternatively, the farmer may decide to sell, and purchase land in an area where land prices are lower – an unattractive proposition for many farm families (Barr 2003:2), especially those with young children.

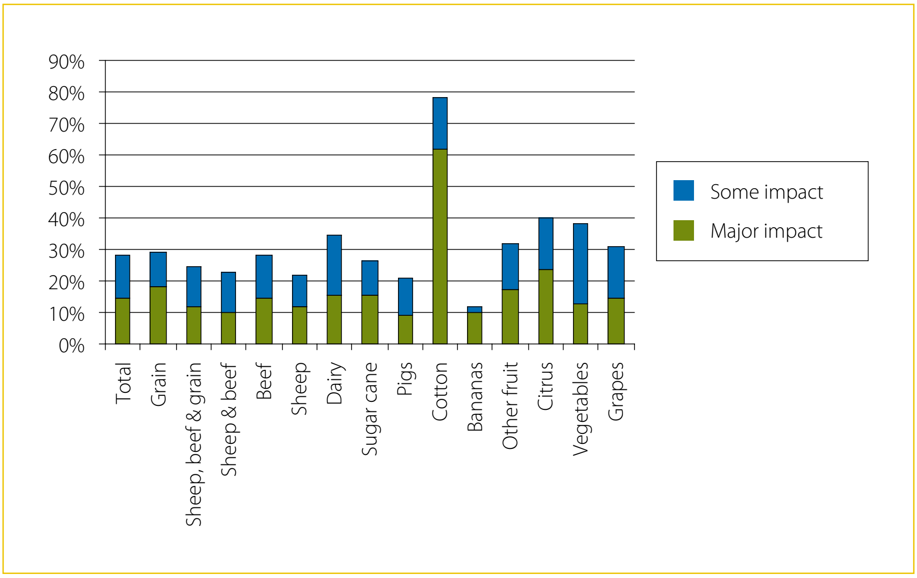

Figure 10. Expected impact (by industry type) of water reform on farm viability.
Source: SMR (2002)

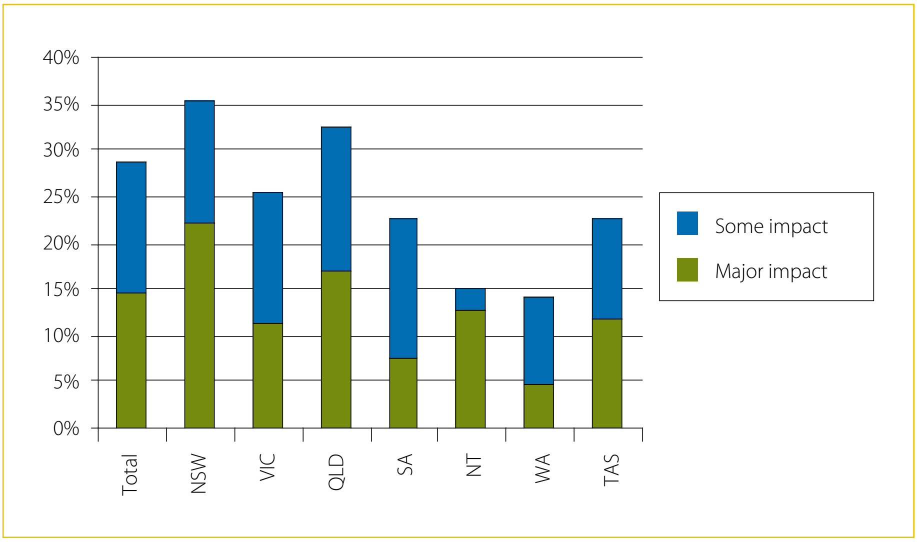

Figure 11. Expected impact (by state) of water reform on farm viability.
Source: SMR (2002)

The farming areas most highly affected by rising land prices include the region around Melbourne, dairying areas in Gippsland, and the coastal areas in northern NSW and southern Queensland where residential and tourist activity may offer a greater return on investment.

The second dilemma is the masking of the true productive value of land by the increase in land value. Because property values have increased sharply over the past five years, debt-to-equity ratios have improved. While this has improved the security of borrowings, it has not increased the ability of the farm enterprise to service debt, meet input costs or gear-up for reinvestment. Many farm families are now living on capital reserves while infrastructure deteriorates.

Moreover, high land values in 2004–05 will transfer risk to a new group of farmers acquiring land that will have a poor return on capital investment in the future. While some farmers have profited by selling farms at high prices, the adjustment crisis has merely been shifted to a new group of industry entrants.

The review committee considers that these are issues about which farm families may seek support for decisions about future options.

Given the multiple pressures for adjustment on the farm sector, the review committee foresees significant and widespread change to the structure and operation of industries and regions. Any consideration of the role of the RFCS needs to take place in the context of the full range of policies supporting the management of adjustment in agricultural industries.

2.3 THE BARRIERS TO ADJUSTMENT AND NEGATIVE IMPACT OF DELAYED ADJUSTMENT

The results of recent national farmer surveys and research suggest that many farmers experiencing net negative returns over the long term have considered the need to change their current business operation. There may, nevertheless, be significant emotional and financial barriers that delay their adjustment. Adjustment in this context includes changes to the farm enterprise, diversification, adoption of innovation, changing management structures or leaving the industry.

Delaying adjustment can produce negative social, economic and environmental consequences, often at multiple levels. On the other hand, research has shown that successful adjustment often results in improved outcomes for the farmer, particularly in enhanced quality of life. The barriers to adjustment and the negative impacts of delaying adjustment were identified in written submissions to the review and during its face-to-face consultations.

2.3.1 Barriers to adjustment

Across the rural industries, there are farmers who continue to operate non-viable rural businesses because they do not have the physical or financial means to make changes or the motivation to adjust, or because they will not acknowledge their financial situation. These barriers can broadly be described as farmer attitude, lack of financial capacity, and lack of viable alternatives.

Data collected during the 2002 rural producer survey (SMR 2002) provided a great deal of information about the future intentions of farmers across industries. Two significant trends identified were:

- the high proportion (28%) of producers who said they intended to retire or semi-retire from the industry within the next five years
- the high proportion (18%) of producers who agreed with the statement, 'If I had the chance I would sell up and leave the industry'.

As Figure 12 shows, there are differences between the various rural industries in the proportions of producers preparing for retirement.

The 2002 survey also identified a large group of farmers who have not planned for retirement. Not having exit strategies in place can lead farmers to delay retirement. Exit planning often carries with it emotional issues associated with leaving the land. While leaving agriculture or pastoralism is one option available to primary producers and their families who are exploring the future, it is an option many primary producers would rather not consider.

Data gathered from surveys of graziers in the Western Division of NSW revealed the main issues that acted as barriers to change among older farmers:

- Families contemplating leaving are influenced by their sense of identity as a farming or grazing family, by attachments to property and perceptions of finding alternative employment.
- Finding a suitable place to live may be seen as a problem.

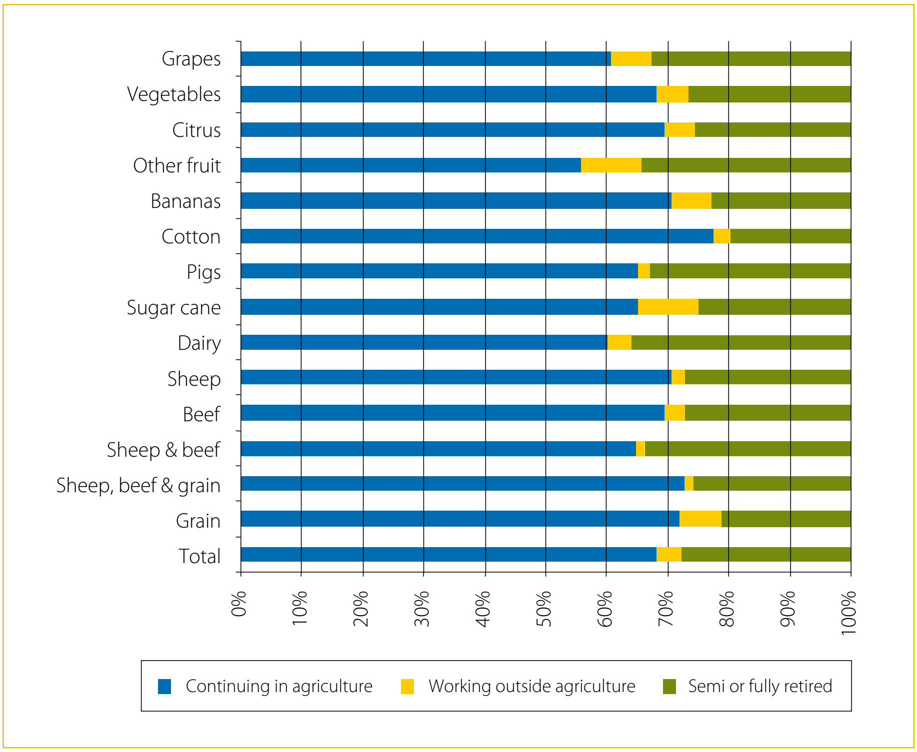

Figure 12. Percentages of farmers in different rural industries stating an intention to remain in agriculture, work in other industries or to semi or fully retire. Source: SMR (2002)

- Leaving is likely to be traumatic and stressful and involve feelings of loss and grief. Despite this, those who leave can be successful in re-establishing themselves.
- Quality of life is a concern, but most who left pastoralism felt their quality of life had improved compared with two years before leaving.
- Work availability is a concern; most farmers in the survey secured work within a reasonable time frame, although job satisfaction fell.

Despite the difficulties associated with leaving, the study found that those who left found they were better off on the whole than they were during the last two years on their property. In summary, leaving farming to begin alternative employment is an option for families exploring their future. But considering such an option raises serious questions about self and place. These factors need to be incorporated and considered in any decision-making process about farm exits.

2.3.2 Social impacts of delayed adjustment

Farmers experiencing protracted low returns or losses to the farm business can experience significant personal costs that include stress, isolation and depression (Figure 13). The reluctance of some farmers to discuss their problems can result in communication breakdown within family and social structures, leading to isolation and loneliness. Suicide deaths of farmers were reported at the National Rural Public Health Conference in 1997 to be around double that of the general male population (Figures 14 and 15).

2.3.3 Environmental impacts of delayed adjustment

Farmers with low levels of income often express concern about their ability to invest in the long-term health of their natural resources. The 2002 rural producer survey (SMR 2002) found that on-farm environmental degradation is often given the lowest priority unless the problem appears to directly affect production, such as is the case for weeds and feral animals.

The 2002 survey results also indicated that producers' future intentions for their enterprise had a marked impact on whether or not they tackled degradation issues on their property. Producers intending to increase or maintain their involvement in agriculture were 3–13 times more likely to try to solve a degradation problem (depending on the nature of the problem) than those who intended to leave the industry or to reduce their involvement in it.

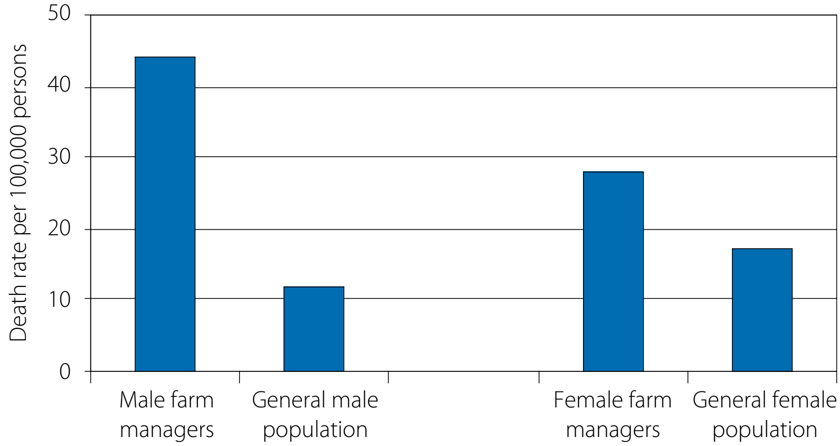

Figure 13. Death rates due to mental and behavioural disorders in 2001. Source: Australian Bureau of Statistics (2001)

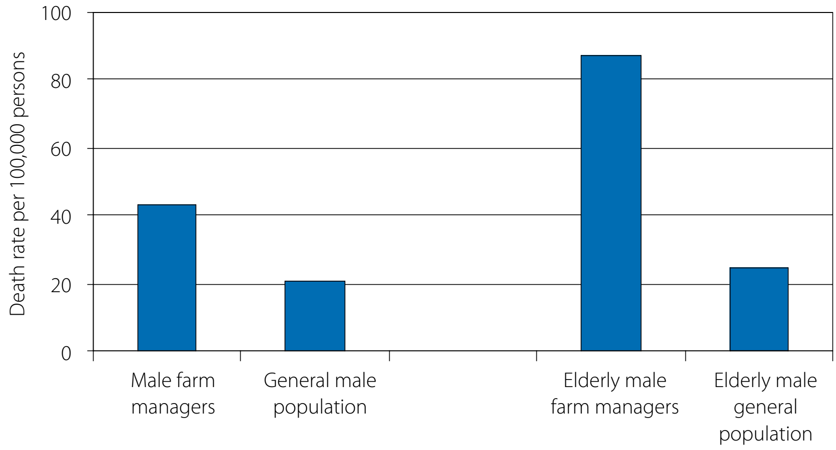

Figure 14. Suicide death rates (age standardised) in 2000. Source: Australian Bureau of Statistics (2001)

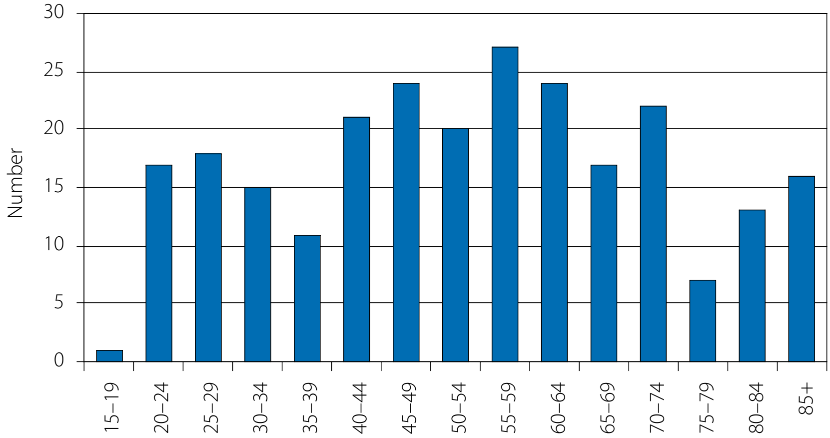

Figure 15. Numbers of suicide deaths in different age groups of farmers and farm managers, 1992–95. Source: HealthWIZ National Social Health Statistical Data Library, Department of Health and Ageing

2.3.4 The role for rural financial counsellors

Information, referral and support influence the success of each adjustment process. Farmers access many sources of advice, information and referral. These include financial planning or business advice, accountants, rural financial counsellors and bank staff (Appendix 6 maps the locations of accountants and auditors across the country). A study of Western Division graziers (Webb et al. 2002) found that farmers who accessed rural financial counsellors during the process of leaving the land were highly satisfied with the services they received. Written and oral submissions to the review confirmed that rural financial counsellors play a major role in achieving successful adjustment outcomes.

The review committee noted the range of information, referral and support services required by farmers. The review committee believes that no single person will be able to undertake all of these roles and emphasises the role of rural financial counsellors in referring clients to a range of appropriate professionals.

- how well the current RFCS has met this need
- anticipated need over the next three years
- approaches to support improved governance of rural financial counselling services
- future guidelines and proposed application process for meeting the assessed nature and level of need for provision of service.

The review committee comprised Mr Wayne Cornish, NRAC Chairman, as chair, Mr Bill Anscombe, Senior Lecturer in Social Work at Charles Sturt University and Mr Rudi Cinc, Chairman of the National Association of Rural Counselling Services.

Since the RFCS Review was undertaken under the auspices of NRAC, Senator Troeth asked Mr Cornish to consult other members of the council. Two other NRAC members – Mr John Woods and Mr Bruce Brown – have participated in the state consultations and directly contributed to the review. Mr Brown also has assisted the review committee with advice and expertise from the finance sector.

1.2 THE CONSULTATION PROCESS

A media release announcing the start of the RFCS Review was issued by the Australian Government on 31 August 2004. Advertisements calling for public submissions were placed in major rural newspapers in each of the states and the Northern Territory in the week beginning 30 August 2004. In addition, the review committee wrote to key stakeholders to invite them to make written and/or oral submissions.

A RFCS Review website was launched on the Department of Agriculture, Fisheries and Forestry's website on 31 August 2004. General information on the review, an invitation for public submissions, the terms of reference (see Appendix 1) and an information paper (Appendix 2) were published on the review website.

Face-to-face consultations were held in all states and the Australian Capital Territory and Northern Territory during 7–28 September 2004. Written submissions were accepted until 1 October 2004. Appendixes 3 and 4 list people (and their organisations) who made either written submissions or participated in face-to-face consultations.

In making its recommendations, the review committee also took into account a wide range of research and data, including previous reviews of the RFCS Program and the findings of an audit of 24 Rural Financial Counselling Services in 2003 by the ACUMEN Alliance consultancy.

3 THE RURAL FINANCIAL COUNSELLING SERVICE 1986–2004

3.1 RFCS PROGRAM RATIONALE FROM 1986 AND THE CHANGING CONTEXT TO 2004

The RFCS program was established during volatile and uncertain times with the deregulation of the finance industry, aggressive lending practices and high interest rates. In response to growing financial problems in the rural sector, rural financial counsellors were established and funded under a separate Rural Counselling Program (RCP) up until 1994.

Action by banks and other financial institutions in the late 1980s and early 1990s led to a breakdown in relationships and conflict between them and primary producers. There was a willingness to resort to legal processes and forced foreclosure.

This period was regarded as one of the most financially difficult in the past 30 years. It led to dramatic action, and scenes such as farmers chaining themselves to their farm gate.

In the early 1990s, continuing high interest rates, exchange-rate fluctuations, low commodity prices, the collapse of wool prices and seasonal events contributed to the ongoing need for intervention to help primary producers.

In 1994, a range of rural assistance programs was amalgamated under the Rural Communities Access Program (RCAP).

The Rural Communities Program, which started in 1997, evolved from the RCAP component. It included funding for rural financial counsellors. In 1998, with the division of portfolio responsibilities, the administration of the RCP was split, with only the rural financial counselling remaining under the Agriculture, Fisheries and Forestry portfolio. All other components of the program were transferred to the Transport and Regional Services portfolio.

Over the past five years, with the exception of seasonal events, commodity prices have been generally favourable, as have exchange and interest rates. Broadly, the past five years have been seen as a more buoyant period, particularly in comparison to the economic pressures faced by primary industries and producers in the early 1990s.

3.1.1 Objectives

The RFCS program was established in 1986 in response to an identified gap in services offered to rural communities, particularly farming families. During the difficult times described in the previous section, for example, it provided a circuit breaker by giving free and independent assistance to primary producers. It helped to re-establish business confidence and trust through its direct assistance to primary producers, allowing them to make informed decisions.

The RFCS program provides grants to non-profit community groups that offer rural financial counselling and information services to primary producers, fishing enterprises and small rural businesses experiencing financial hardship and which have no alternative sources of help with decision-making. Also, it helps identify enterprise and industry issues where change and adjustment are required.

The RFCS program thereby contributes to the goal of a more competitive, sustainable and profitable rural Australia.

3.1.2 Role of RFCS in the Agriculture Advancing Australia package 1997–2004

Since 1997, the RFCS program has been funded under the Australian Government's flagship rural policy package, Agriculture Advancing Australia (AAA). The package comprises an integrated suite of programs designed to 'secure the profitability, sustainability and competitiveness of the farm sector' through changes to producers' skills, attitudes and practices and by providing risk-management tools, information and improved market opportunities.

The package was launched in 1997 and marked an important development in Australian Government policy for the agricultural sector. The policy moved from subsidy-based mechanisms to greater emphasis on capacity building, risk management and self-reliance. While facilitating this shift, the AAA package has also included income and decision-making support for farm families undergoing financial hardship.

Over the three cycles of the AAA package from 1997–2008, the mix of programs has evolved, but core programs have been retained.

AAA programs comprise:

- *FarmBis* subsidises the delivery of training designed to improve business management skills and risk management (joint state/commonwealth funding)

- Rural Financial Counselling Service assists farmers assess their situations and decide on future strategies (joint Commonwealth and community contributions, including some state funding)
- Farm Help – Supporting Families Through Change provides help to farmers experiencing severe financial difficulties while they take steps to improve their long-term financial prospects (Commonwealth funding)
- International Agricultural Cooperation (formerly Farm Growth Through Export Growth) aims to strengthen bilateral agricultural relationships with key trading partners, especially China, Indonesia, Thailand and the Philippines
- Farm Management Deposits promote self-management of financial risks and are tax based
- Industry Leadership aims to improve recognition of the contribution that women, young people and indigenous people make to rural industries and to encourage them to become part of the decision-making process in their industry
- Industry Partnerships aims to help industries build self-reliance and manage change and adjustment pressures. Targeted industries work with government to share information and develop a plan for action. By being able to identify their strengths, weaknesses and opportunities, industries will be able to build capacity to be ready to manage future challenges.

Central to the capacity-building goals of AAA is the FarmBis program, which subsidises the delivery of training designed to improve business and risk management. Farm Help and the RFCS help primary producers in serious financial difficulty to improve their long-term prospects.

FarmBis has been successful in laying a foundation for a continuous learning culture among primary producers. Over 150,000 primary producers across Australia have participated in FarmBis-subsidised training courses.

Since 1997, 8900 low-income farm families in severe financial difficulty have been assisted by the Farm Help – Supporting Families Through Change program through access to decision-making and income support while they make changes to their circumstances. Re-establishment grants have helped over 1070 primary producers who chose to leave farming.

The RFCS provides financial information, referrals and decision-making support for farm families in financial difficulties. In the past, counsellors have provided the front-line referral service for AAA capacity building and income and decision-making support programs.

The AAA package was reviewed in 2002–03, drawing together the findings of independent evaluations of individual AAA programs, submissions from the states and the Northern Territory and other stakeholders. The review found the AAA package had made substantial progress in meeting its original objectives:

- to help farmers profit from change
- to give farmers access to an effective welfare safety net
- to provide incentives for ongoing farm adjustment
- to encourage social and economic development in rural areas (DAFF 2004b).

The 2004–05 Commonwealth Budget allocated $236 million to continue the AAA package for another four years, reflecting the success of the integrated package of programs. The new commitment extended FarmBis and Farm Help and provided for continuation of the RFCS, the Farm Management Deposits Scheme and the International Agriculture Cooperation program. The Budget also provided for a new one-year industry partnership initiative, aimed at helping industries build self-reliance and manage change and adjustment pressures. A pilot of the initiative concluded on 30 June 2005 and the program received funding for a further three years.

> The review committee concludes that the RFCS has a valuable role to play in the Agriculture Advancing Australia package of integrated programs and that referral to the other programs within AAA should continue to be a high priority for counsellors.

3.2 RELATIONSHIP TO OTHER PROGRAMS

Since the inception of the RFCS in 1986, there has been significant change in the range and structure of services provided by all levels of government, non-government organisations and private suppliers. This has resulted in the potential for significant overlap in service provision by the Australian Government.

The RFCS currently acts as a conduit between a range of assistance programs provided through Australian Government departments. The RFCS is now also, in some circumstances, duplicating services that have been initiated by other portfolios.

In response to identified need, financial counselling services have become an integral part of the Australian Government's Department of Family and Community Services (FACS) and Centrelink programs.

Centrelink currently provides financial guidance through its Financial Information Service (FIS) which is available to everyone (Appendix 7 maps the locations of Centrelink outlets across the country). FIS services include assistance in:

- developing a financial strategy
- succession planning
- debt management
- retrenchment adjustment planning
- estate planning and wills
- investing
- investment options at retirement.

This suite of financial services is more extensive than that offered by the RFCS.

In a Bureau of Rural Sciences (BRS) survey of clients in 2002 (Magpantay et al. 2002), respondents were asked to identify the single most important service provided by their rural financial counsellor. The responses fell into the following categories:

- options: information and assistance
- financial assistance/assessment
- negotiation with banks/government
- assistance on accessing Australian Government entitlements
- loan application assistance
- emotional support
- retirement, estate/succession assistance
- family communication.

Though clients may expect the RFCS to provide emotional support, succession planning and assistance with family communication, these activities fall outside those permitted under the RFCS funding agreement. The review committee emphasised the role of counsellors in referring clients to appropriate professional service providers in these areas.

3.3 DISTRIBUTION

In the 2004–05 funding round, there were 68 community-based RFCS groups, employing more than 80 full-time equivalent rural financial counsellors across Australia. Appendix 8 maps their locations. Services are located in all states (but not the Northern Territory or the Australian Capital Territory), and include five Part B industry-based services. Most of the community-based services have operated from the same location for up to 18 years.

In 2004–05 the distribution of services and Australian Government funding for individual services was generally maintained at the same level as for the previous two years, pending the outcome of the review. Many services experienced difficulties in 2004–05 due to rising costs of fuel, insurance and accommodation.

3.4 CLIENT NUMBERS

Client numbers recorded in the program database vary widely from year to year and from region to region depending on climate conditions and other events. Demand can also vary within the year in response to seasonal activities.

In 2002–03, a drought year, the number of clients (12,524) was 35% higher than the number (7402) in 2001–02, a 'normal' year. The number of clients in 2003–04 was 9402.

The accuracy of these data is dependent on the input of client numbers by rural financial counsellors, but the data do provide a reasonable indication of client numbers, as counsellors must also report on the activities undertaken with each client.

Although the drought continued into 2004–05 in many areas, in September 2004 many counsellors were reporting declining client loads.

The 'normal' average number of clients is often cited as being around 100, but the definition of 'client' remains problematic.

High numbers during drought or other climatic events may reflect numbers of clients seeking routine assistance with claim forms, as well as clients for whom the event has raised significant viability concerns.

3.5 DELIVERY AND FUNDING MODEL

The Australian Government's May 2004 Budget provided a further $23.3 million for four years for the RFCS program, from 2004–05 to 2007–08.

After the May budget, the then Parliamentary Secretary, the Hon Senator Judith Troeth, advised all existing management committees that she had decided to roll over current funding arrangements for the next 12 months, citing the continuation of the drought and the need to provide time for a new application process for doing so.

Under the 2004–05 arrangements, services are not required to provide written proof of matching cash and in-kind contributions, although support from state governments will continue.

3.5.1 Contracts and specified activities

Services are required to sign a funding agreement (contract) with the Department of Agriculture, Fisheries and Forestry (DAFF) after obtaining approval for service provision.

The funding agreement has been created using a government-wide 'more accessible government' template.

Under the new funding agreement, all funds, including matching cash contributions, are deposited into a single bank account specifically set up for expenditure on goods and services directly related to the RFCS program. All income and expenditure related to the service is to be identified in financial accounts and should include the preparation of financial statements and the audit of yearly accounts.

A copy of the funding agreement, initially signed on behalf of the service and then signed on behalf of the Australian Government, is returned to the service for its retention, and the first grant payment is made. Appendix 9 gives a copy of the 2002–2004 funding agreement and Appendix 10 a copy of the 2004–2005 funding agreement variation.

3.5.2 Funding – government, community, cash and in-kind

The service provided by a rural financial counselling service is free and independent of financial institutions, welfare agencies or government.

The Australian Government funds up to 50% of rural financial counsellors' employment costs, with the remaining costs being met by state and local government and the local community. State governments may provide varying levels of contribution towards services, depending on their policy and the budgets available to them. Some states provide cash and others may provide both cash and in-kind contributions.

Some state governments provided additional funds in 2002–03 and 2003–04 to assist in coping with the pressures of drought. This took a number of forms, including both direct funding to services and the provision of a pool of resources to support services of more lasting benefit. Some states have also assisted with training and equipment.

In 2004–05, the distribution of services and Australian Government funding for individual services has generally been maintained at the same level as for the previous two years, pending the outcome of this review.

In-kind resources are valued at market rates, with some costs having a maximum allowable in-kind value placed on them. All in-kind contributions must be recorded, to meet legislative and accountability requirements in each state.

3.5.3 The principle of matching funding

Many services are experiencing difficulties in 2004–05 due to rising costs of fuel, insurance and accommodation. Rural communities have reported finding it more and more difficult to obtain community cash contributions. In the 2004–05 financial year, the difficulty is largely due to the ongoing effects of drought on community financial health. Services have been further affected by their loss of access to Centrelink funds, which are paid for the completion of viability assessments for clients wishing to apply for assistance through the Farm Help – Supporting Families Through Change program.

Under the terms of Schedule 2 – 'Activities not to be performed' in the 2004–2005 funding agreement variation, the following paragraph was included:

> Rural Financial Counsellors undertaking Initial Farm Help Financial Assessments (currently referred to by Centrelink as the Farm Enterprise Viability Assessment/FEVA) and other fee chargeable work for Australian Government agencies may not charge a fee for provision of these services.

An Australian National Audit Office (ANAO) performance audit recommended that DAFF address the interaction between the RFCS program and Farm Help, to ensure that the Australian Government does not duplicate financial support for advisory services to primary producers, and that the operation of RFCS is consistent with its design principles.

Under 1 July 2004 changes to the Farm Help program, customers are required to seek 'advice on financial outlook' as part of their qualification for the program. This service cannot be provided by RFCS. The purpose of the initial advice session is to provide farmers with advice that there is no reasonable likelihood that the person would obtain a loan from a finance institution, given the person's financial situation. This is an alternative to the bank certificate as the primary means of determining this issue. The initial session is also required to provide advice on whether there is a reasonable likelihood of improving the financial performance of the farm enterprise.

Under the funding agreement with DAFF, the primary responsibility of services is to provide financial counselling and referral services. In addition, under the terms of previous and current funding arrangements, rural financial counselling services are not allowed to provide 'advice'.

> Obtaining matching funding and the need for volunteer management committees to continue to raise these funds has placed ongoing pressure on the committees, particularly during difficult times such as drought. While management committees have contributed many valuable hours in time and effort to fundraising in the past, alternative funding measures should be investigated for any future program model.

3.6 GOVERNANCE

3.6.1 Role of volunteer management committees

Services are managed by volunteer management committees whose role is to direct the delivery of an effective RFCS to needy farmers in the community. The role includes providing strategic direction for the delivery of the service and management of the rural financial counsellors and other administrative staff.

As a result of increasing emphasis on governance across all organisations in society, accompanied by increasing complexity in the wider regulatory and accountability environment within which counselling and financial advice services operate, changes have been made to the RFCS program model over the past three years. These changes have, in turn, raised concerns from management committees that:

- they are carrying increased levels of responsibility, accountability and liability
- there is a degree of burnout amongst the volunteer management committee members, particularly in the smaller and more isolated centres
- the time and effort needed to fulfil governance requirements are increasing.

These concerns were also raised during face-to-face consultations – and in written submissions – including the dual role counsellors, at times, undertake as financial and emotional counsellors to farm families experiencing stress during the adjustment cycle.

Many of the issues, concerns and risks raised in general research on volunteering emerged in the submissions made by management committees and in stakeholder concerns raised during the RFCS Review consultations.

Since the 1980s, there has been a growing emphasis on volunteering as a way of achieving improved community outcomes in partnership with government, including a growing reliance on volunteer efforts to deliver services previously funded by the public sector or private foundations. Research has substantiated the cost-effectiveness of relying on volunteer efforts, which significantly extend the resources available from government.

There is widespread acceptance that volunteering also brings a strong sense of local ownership and social cohesion by allowing individuals within communities to express their values through action. Volunteers can engage with members of the community on matters of concern, motivated not by personal gain or coerced by authority, but by the conviction they can contribute to better social and economic outcomes for the community as a whole.

There is, nevertheless, also a growing resentment at the undervaluing of the 'cost' of volunteerism – time, resources, skills, managing risk and volunteer burnout. Factors contributing to burnout include the struggle to maintain funding and infrastructure, and the pressure on one or two individuals to respond to the day-to-day decision making of a service. Volunteers are often not prepared for the sustained workload they encounter, and the lack of skilling and other support for them to manage increasingly complex issues. There have been additional pressures from unrealistic community expectations that services will cover issues well outside their core business.

In 2003, the Victorian Department of Land Stewardship undertook a study (funded under the National Action Plan for Salinity and Water Quality) of volunteer contributions to direction setting for land stewardship policy and programs. Rural landowners and land managers favoured maintaining volunteerism but acknowledged that a growing sense of burnout and resentment was a cost of such work. There was a trade-off between the social cohesion that was gained, and the personal cost of volunteer work.

Attracting and retaining volunteers over the long term presents significant concerns to volunteer organisations tasked with delivering services. Research into volunteerism by Emergency Management Australia in 2003–04 found there were fundamental risks to the continued operation of emergency management volunteer organisations due to the increasing difficulty in attracting volunteers. There was a growing attitude of 'what's in it for me' among potential volunteers as a result of an economic climate which increasingly forced people to choose between competing lifestyle priorities. Changing demographics also emerged as a key reason why some organisations had difficulty in attracting volunteers. Rural Australia was particularly vulnerable. Falling income opportunities in country townships had caused the younger population to migrate to the cities, resulting in an ageing population in many rural areas.

Meeting legal and insurance requirements and managing risk are major concerns for volunteers and volunteer organisations. The risk of personal liability in any legal action relating to their involvement in volunteer work, obtaining adequate insurance coverage and compliance in an increasingly complex legislative and regulatory environment are issues that weigh on volunteers' time and resources. Conservation Volunteers Australia recently carried out a benchmarking trial to identify risk-management processes implemented by its membership. Preliminary findings suggested only 1 in 10 of the organisations that participated had a risk-assessment process in place. Subsequent workshop outcomes indicated that 67% of participants rated their group's risk management as inadequate. Risk management was voted as the most important and useful topic covered in the workshop.

The review committee considers that rural community volunteers have been of inestimable value to the operation of counselling services since 1986. However, due to the changing operating environment and, in consideration of the risks outlined in the preceding section, the committee considers that continuation of a program of this type through the mechanisms of volunteer governance is untenable, particularly for relatively small grants and the high level of governance required. Nevertheless, volunteer community management committees can still play a valuable advisory and supportive role in the program by providing locally grounded information and by supporting a locally employed counsellor.

3.6.2 Counsellors and qualifications

With an ever-increasing emphasis on corporate governance and liability, the level of counsellor skills is often mentioned. There is an acknowledged need for improved identification of the skills and qualifications needed by counsellors. Appendix 11 provides a summary of counsellor qualifications, experience and salaries, based on information collected in November 2003.

One of the major concerns raised by Acumen Alliance following its 2003 performance review and audit of 24 services was that some counsellors were providing services beyond their expertise (and insurance cover). The audit also found that rural financial counsellors may come from a variety of backgrounds. The qualifications of counsellors vary, and include former bank employees, qualified accountants and individuals holding degrees in agriculture.

DAFF provides, in its resource manual for RFCS management committees (DAFF 2004c), direction on a minimum standard of qualifications for counsellors that are required in the funding agreement with services. This standard requires:

- relevant tertiary qualifications and/or strong relevant work experience
- recognised counselling qualifications and/or significant demonstrated counselling experience, with an ability to understand the boundaries that exist between a rural financial counsellor and a social counsellor, and the ability to refer personal issues to the appropriate professional
- sufficient qualifications as prescribed by Centrelink or other Australian Government or state agencies to permit involvement in representations or applications required on a client's behalf
- a current, unrestricted driver's licence.

Program monitoring of services indicates that not all management committees are complying with the minimum standards of qualifications when recruiting counsellors. Under the funding agreement, money is allocated for counsellor training and development, but management committees are inconsistent in their reporting on what training counsellors have undertaken.

The ability of services to meet the objectives of the RFCS program is impeded by inconsistencies and lack of uniformity in counsellor qualifications.

Non-uniformity and inconsistencies in counsellor qualifications have the potential to impede the RFCS program meeting its goals and objectives. The review committee recommends that a mandatory standard of qualifications and prescribed skills and competencies for rural financial counsellors be developed within the Australian Qualifications Framework in any future RFCS model.

3.6.3 Program evaluation and monitoring

The RFCS's monitoring and evaluation strategy relies on:

- periodic reviews across Australia, including this one, to determine the efficiency, timeliness and suitability of current administrative and community management structures and delivery mechanisms;

- the results of the ongoing independent performance review and audit program of 25% of services each year
- information on milestones achieved, annual reports and audited financial statements from each service
- the collection, aggregation and monitoring of three four-monthly data reports each year from each service
- an in-house policy review of the RFCS program to be conducted in 2007.

The independent performance review and audit program of 24 services conducted by Acumen Alliance during 2003, focused primarily on the delivery of program outcomes and the financial and record-keeping mechanisms being used. The audit program made recommendations for improving the accountability and service delivery of the RFCS program, to be monitored during the ongoing audit program.

Each RFCS, under contractual obligations, provides a statement of certification as part of the ongoing accountability requirements and provision of client statistical data. This is used by the Australian Government to monitor the progress of each service and is tied to each four-monthly periodic grant payment.

The annual report and audited financial statements are prepared to guidelines which include information that will allow an evaluation of demonstrated need and ongoing demand, and of the performance of the RFCS. This includes a description and quantification of the services supplied to clients. The reports generally provide extensive quantitative data but few qualitative data.

The RFCS Australian Rural Counselling Client Statistical Database holds extensive quantitative data collected by each RFCS as a management and information tool. The minimum data requirements are:

- client contact details including gender, NESB, ATSI and date of birth
- details of dependants and partners
- assistance given
- referrals, to and from
- causes of difficulty
- activities/contracts
- enterprise types.

The aggregated data from the individual databases held by each of the services, excluding any confidential or client identification, is exported to a national database held by the Australian Government every four months. The national database is used for reporting to government and ongoing monitoring. As noted above, the data are mainly quantitative.

Generally, services are encouraged to conduct annual client-satisfaction surveys to gauge client interaction with rural financial counsellors and to what degree services are meeting client needs. The rigor and veracity of these surveys may be questionable in that they do not need to be independently designed or conducted.

Each RFCS collects extensive client and activity data for the RFCS management committees and rural financial counsellors. These data are used as a management and information tool.

3.7 PREVIOUS REVIEWS OF RFCS AND PREVIOUS REFORM MEASURES

3.7.1 The 2000 evaluation of the Rural Communities Program

An evaluation of the Rural Communities Program (RCP) in 2000 (Aslin et al. 2000) (see Appendix 12) raised the following issues:

- the need for a greater focus on 'agricultural and social adjustment' rather than attempting to meet development or welfare objectives
- the need for greater responsiveness to changing circumstances and for government assistance
- the need for a goal statement and objectives incorporating sustainability (social economic and ecological) as a higher priority
- improved coordination and integration with other programs
- improved monitoring and evaluation that takes equity aspects of program funding into account
- development of a communication strategy
- inclusion in guidelines of advice about size and composition of service management committees, rotation of office bearers, role of service staff in relation to management committees, and meeting frequency and procedures
- the allocation of funds in service budgets for a training and development strategy for service staff and management committee members
- assessment of percentages for community cash and in-kind contributions on a service-by-service basis taking into account the community's capacity to pay

- adequate lead times for changes to the program.

Many of the efficiency and accountability reforms recommended in the 2000 and subsequent reviews were implemented to improve the program model at that time. The RFCS section within DAFF has been working with communities, counsellors and management committees since 2000–01 to introduce a range of reforms into the operation of the service.

The 2001–04 RFCS program incorporated the following reforms:

- counsellors must now spend 75% of their time on client-related activities (direct meetings with clients, or with others on behalf of clients; research and data entry about the client; and travel to and from client-related meetings)
- DAFF may, where necessary, access client files as part of an audit process.

Improved management and accountability processes have been supported by the development of:

- appropriate training (including regular national conferences for counsellors and management committees) and corporate governance and risk-management workshops
- reference tools, including an updated resource manual and agreed standards for service delivery included in the funding agreement
- improved identification of skills and qualifications of counsellors
- increased scrutiny of service operation through audit and evaluation, and more rigorous, regular and meaningful reporting, including a reformed counsellor–client statistical database.

Stakeholder consultations for the 2002–03 review of the AAA (Department of Agriculture, Fisheries and Forestry 2004) package also raised some issues that should be examined in relation to the RFCS. These included:

- improved ability to allocate resources to emerging areas of need
- the need for greater consistency in governance and in the skill levels of counsellors and management committees
- greater accountability and certainty that services were operating within program guidelines and that resources were being used appropriately
- the need for improved adjustment outcomes for farm families in long-term financial difficulty
- the need to improve targeting of service clients, so as to use service resources more efficiently and avoid competition with private-sector providers of similar services.

3.7.2 The Seven Principles of Reform

In response to the 2000 evaluation of the RCP (Aslin et al. 2000), the then Minister for the Department, the Hon Mr John Anderson, identified seven key principles for any new RFCS:

1. A need for a clear and specific goal statement and objectives
2. A focus on agricultural (and related social) adjustment, developing productive relationships with related programs when other issues arise
3. Flexible needs-based counselling
4. Responsive to changing circumstances and changing regional needs
5. Ownership and funding shared with states and the community
6. Management devolved to rural communities
7. A comprehensive performance monitoring and evaluation framework.

These principles were endorsed in community consultations in all states in early 2001.

3.7.3 Acumen Alliance audits

The 2002–2004 funding arrangements included provision for performance audits to assess RFCS compliance with the requirements of the funding agreement. In May 2003, Acumen Alliance Consulting commenced a performance review and audit of a third of the services around the country.

The overall findings of the audit were that a significant number of services were undertaking activities which were considered contrary to the funding agreement and that no service was fully compliant with the audit criteria and funding agreement requirements.

Among the main findings of the audit were that the level of corporate governance was well below that required by the funding agreement and that management committees were generally not clear on what constituted a conflict of interest.

Each of the audited services was provided with a copy of the report on its audit and the management committee invited to respond to DAFF on how it intended to rectify any non-compliancy found. The majority of services reacted positively and began putting measures in place to improve their corporate governance and management.

The audit was designed to improve the operation of the RFCS program. To further this objective, DAFF arranged post-audit governance training workshops in most state capital cities in June 2004. These were presented by Gerry Holmes (of Holmes & Reynolds), an experienced barrister and legal academic.

The workshops were tailored for the RFCS and were well attended by management committee representatives, who were encouraged to recognise the importance of good corporate governance and the risks associated with inadequate management practices.

Problems identified

The Acumen Alliance auditors pointed to a number of areas of risk in the current delivery model. Mr Gerry Holmes elaborated on these risks and alerted the department and, where appropriate, management committee members, to the potential consequences should some of the risks be realised.

One of the major shortcomings identified was the inconsistency of monitoring and quality control across the RFCS program. Some services with a dedicated administrative manager undertook quality control of a high calibre, and were managing their legal risks extremely well. On the other hand, many of the services were, in effect, run by the counsellor and management committee members were exercising little or no monitoring and quality control over the services delivered.

The following were some of the areas of concern directly attributable to the inconsistency and/or failure of corporate governance under the current model:

- clear, yet undeclared, conflicts of interest involving decisions and actions that led or could lead to significant financial gains for individual counsellors and/or management committee members
- breaches of competitive neutrality – use of service/government resources in such a way to unfairly take business away from professional commercial operators
  - most commonly by servicing clients that could otherwise afford to purchase professional advice
  - but also including cases where counsellors assisted clients to avoid paying legitimate invoices from professional suppliers
- the blatant provision of 'advice' to clients, exposing services to considerable legal risk
  - in a number of cases, the advice or assistance given was poor and/or untimely and led to significant financial losses by the client
  - in some instances, court cases against services are underway or pending.
- misuse of service resources (counsellor time and/or facilities) to the benefit of a counsellor's private enterprise and to the detriment of legitimate potential clients who were not receiving the counselling services they needed.

One common factor in each of these examples is the lack, or inadequacy, of governance performed by the services responsible. Mr Holmes identified an 'excuse of confidentiality', which appeared to be endemic in the current delivery model, as the single most important impediment to achieving adequate governance in rural financial counselling services.

Even when confronted with the risks and potential consequences of their inappropriate interpretation of confidentiality obligations, many management committees were still reluctant to improve their governance at (what they saw as) the expense of confidentiality. In this light, it is difficult to see how the current model, which lays responsibility for the oversight of governance and quality control in the hands of each individual management committee, will be able to deliver uniform improvements in quality control, corporate governance and accountability across the RFCS.

The review committee acknowledges the value of the governance training workshops delivered by the Australian Government Department of Agriculture, Fisheries and Forestry to RFCS management committees following the Acumen Alliance audit findings. Nevertheless, due to the increasing complexity of the legislative and regulatory environment for volunteer community organisations in Australia, and in light of the Acumen findings, the review committee recommends that any new model should incorporate a best-practice approach to governance, accountability and risk management.

ADDRESSING THE TERMS OF REFERENCE

4 WHAT IS THE NATURE, DISTRIBUTION AND MAGNITUDE OF NEED FOR RURAL FINANCIAL COUNSELLING?

4.1 SERVICES SOUGHT BY CLIENTS

The intent of the RFCS program is that counsellors provide financial information and decision-making support and referrals by identifying the needs of the client and linking with other opportunities available. However, research to date shows the expectations of clients vary widely and include inappropriate demands on the counsellor. This has developed over the years as counsellors strive to assist clients in the adjustment cycle who are undergoing a range of social and economic consequences.

In a Bureau of Rural Sciences (BRS) survey of clients in 2002 (Magpantay et al. 2002), respondents were asked to identify the single most important service provided by their rural financial counsellor. The responses fell into the following categories:

- options: information and assistance
- financial assistance/assessment
- negotiation with banks/government

- assistance on accessing Australian Government entitlements
- loan application assistance
- emotional support
- retirement, estate/succession assistance
- family communication.

As noted earlier, though clients may expect the RFCS to provide emotional support, succession planning and assistance with family communication, these activities fall outside those permitted under the RFCS funding agreement.

The 2003 performance review and audit of 24 services by Acumen Alliance in assessing if the 'rural financial counsellor is performing tasks for which they have been employed', concluded:

> Although some of the Services are fulfilling the overall goal of the Rural Financial Counselling Program by responding to the needs of rural communities; in some instances the services performed go beyond the boundaries identified in the Funding Agreement for financial counselling services. The services provided by counsellors varied significantly depending on the other services available in the area. For instance counsellors were more likely to provide personal counselling services and assistance preparing Centrelink forms in rural towns where mental health services and Centrelink were absent.

There is a perception that one of the roles of the rural financial counsellor includes providing free succession-planning advice. For example, an article about succession planning published in the 30 September 2004 issue of *Queensland Country Life*, referred to the AAA Rural Financial Counselling Service under a heading of 'Where to get help' and continues 'These counsellors are federally funded and can provide free succession planning advice.'

In fact, the RFCS funding agreements and resource manual specifically preclude succession planning activities and advise that clients seeking this assistance should be referred to suitably qualified agencies or advisors.

Anecdotal advice indicates that the RFCS role includes preparing annual budgets for bank reviews, filling out Centrelink and other types of application forms, and undertaking advocacy roles with banks, government agencies and other third parties on behalf of the client. Face-to-face consultations have indicated that counsellors find they need to first deal with the personal and emotional issues before being able to undertake the financial counselling role. This should be done by way of referral to appropriately qualified health professionals or advisors, but the 2003 Acumen audit revealed that some counsellors were providing personal counselling services.

Clients may also see the RFCS as a source of agricultural extension within rural communities and this may be a result of the change in agricultural extension delivery by public bodies. There has been a move from one-on-one extension to placing the emphasis on farmer groups or organisations. An increasing amount of agricultural extension is provided by private sources (Marsh and Pannell 1998). Across many areas of Australia, agricultural extension services are increasing, and the role of government intervention to produce something of value to the public, user pays and cost recovery is being questioned. Subsequently, administrative structures are reflecting the funder–purchaser–provider relationship (Marsh and Pannell 1998).

In light of these changes, there has been increased pressure from clients upon the RFCS to act as an extension provider, which is not necessarily a role originally intended for the RFCS.

Pressures for an extension role for the RFCS were also demonstrated in submissions to the current review from the Northern Territory mango industry and the Indigenous Land Corporation (ILC). The ILC suggested that the RFCS could provide practical skills in cash-flow recording and management, long-term financial mentoring, information for starting enterprises and corporate governance guidance. The mango industry submitted that due to changing industry conditions, people entering the industry required financial counselling before entry. Counsellors should also provide advice about current industry issues such as marketing, and labour and transport shortages. In industries such as the mango industry, high entry rates will shortly prompt client demand for the current range of services provided by rural financial counsellors. The trend in demand for the RFCS to act in an extension or industry officer capacity was highlighted in these submissions.

> The full suite of client expectations cannot be fully provided for by any one individual and there is a need for the referral role of rural financial counsellors to be re-focused and emphasised.

4.2 CLARIFYING THE PROGRAM'S ROLE IN ADJUSTMENT

Adjustment in this context is taken to mean a possible change in direction of the business processes or outputs, or adoption of an innovative practice or product, or leaving the industry altogether. The counsellor's role is to facilitate this through the provision of information, referrals and decision-making support, which is articulated in the grants management process. All guiding documents including the application guidelines, the schedule attached to the funding agreement and the resource manual refer specifically to the role of the RFCS.

The emphasis is on the provision of information and referrals to assist the client in decision making related to achieving their goal of a more sustainable, profitable business. The provision of information is related to government assistance schemes, Centrelink and other professional counselling services, as well as gathering and coordinating information for consideration by a professional succession planner if needed. Counsellors can also make assessments of a client's current financial position and cash-flow budgeting to help clients identify their options for the future.

There have been a number of difficulties in measuring the success of the focus on adjustment. One problem is that there is no clear definition of 'adjustment', so many counsellors apply the narrow label of exiting the industry as the main identifier of adjustment. Another constraint on counsellors reporting back to government, is that adjustment out of an industry is accompanied by loss of contact with the client when they move residence or finalise their departure from the industry. Their exact status may therefore remain unclear.

The demand for the Part B RFCS services, which are orientated towards short-term industry adjustment, brings into question the outcomes from the traditional Part A approach, in which services tend to fix themselves to a particular area rather than identifying particular issues. Services tend to stay in the one area and the mobility and flexibility to address emerging or particular needs in other locations are lost.

Any future rural financial counselling service program should have a primary focus on farm sector adjustment, while retaining its capacity for short-term crisis response.

4.2.1 Determining need and allocation of resources in 2001–04

The intent from the beginning of the RFCS program was to focus on critical need. Services were not intended to become 'institutionalised'. Nevertheless, because of a range of adjustment pressures described in the second and third chapters of this report, the program has continued to provide funding to management committees that have sought to help clients deal with these pressures.

Application forms for the longer-term (ongoing) and short-term industry adjustment services under the current structure ask for demonstration of the 'level of need in the local area or region'. The guidelines state that priority will be given to applicants tackling issues for which it could be demonstrated that significant numbers of primary producers were experiencing financial difficulty. Applicants need to identify how the region is to be covered and the level of need assessed. This information was used by the RFCS advisory panel in its deliberations about whether there was a genuine need for the RFCS being applied for. Those organisations applying are also expected to identify any special circumstances affecting the delivery of service in their area; for example, issues relating to geographic isolation.

The locations of the RFCS services have remained largely the same since the service commenced in 1986. However, during the assessment of the 2002–2004 application round, the advisory panel recommended some amalgamations between neighbouring services. Amalgamation was recommended where the proposed areas to be serviced overlapped and where client numbers were low or the organisations faced difficulty obtaining sufficient community funding support.

The long-term drought that seriously affected most regions of Australia during 2002–04, created a significant increase in the client need for RFCS assistance. However, there are still some areas, including the Northern Territory, which do not have reasonable access to an RFCS.

The 'institutionalised' nature of the Rural Financial Counselling Service has prevented the program, in some instances, from responding to critical need. Any new funding model should ensure greater mobility of resources in response to need.

4.3 FOCUSING ON THE TARGET CLIENT GROUP

The RFCS target group includes those primary producers, small rural businesses and fishing enterprises in rural areas that are experiencing financial hardship and have no alternative sources of help with decision-making. As with any funded program, resources need to be focused in areas and on clients of greatest need, and where they can have the greatest impact. It is the role of management committees to set the strategic direction of their service, monitor activities and give frequent feedback to counsellors to ensure the strategic path is being followed.

Throughout its audit reports, Acumen Alliance pointed to instances where counsellor activities did not appear to be focusing on clients of greatest need. It also noted that many of the management committees from the services audited were unaware what sort of clients their counsellor was servicing, and to what effect. In many of the services studied, this problem was attributed to the counsellors' wish to keep their files confidential. North West Rural Counselling Service argued that: the counsellor must be able to use his/her own discretion in assessing if a farming unit should be accepted as a client. If this issue had to be approved by management committees, it would compromise client confidentiality'.

Acumen Alliance also made the point that management committee members who cannot access files are unable to fulfil their legal obligations and responsibilities. However, it is the nature of the current RFCS community-based model that increases the exposure of management committees to these risks. Management committee members are often known to clients, and identification of individual clients becomes an issue that can equally expose management committees to risk.

Compared with the current RFCS model the Farm Financial Counselling Service of the Queensland Department of Primary Industries and Fisheries (QDPIF) does not encounter significant problems with client confidentiality, because it is administered by the state government and not local communities. Although the QDPIF service does not have mandatory file audits, audits are made from time to time. When they are, they are performed by senior members of the service from outside the service community being audited. Appendix 13 maps the locations of QDPIF Farm Financial Counsellors.

4.3.1 Resource mobility within the current program

Generally, the rural financial counsellors are located in a rural centre, and service their designated area either from that base or by working from 'outreach' office space located around the region.

However, there have been limited instances of mobility amongst counsellors and services under the current program. These were very effective in providing assistance in emergency situations, for example:

- a South Australian counsellor temporarily relocated to a Queensland RFCS for a month to assist with a backlog of clients' application forms for support under drought exceptional circumstances (EC) assistance
- a number of Victorian services in the Murray region worked cooperatively to provide additional financial counselling assistance to one service in the region that experienced a sudden influx of new clients, largely as a result of the cumulative effects of long-term drought and bushfires, then sudden severe snowfalls. This arrangement worked effectively, with rural financial counsellors from adjoining services providing part-time assistance each week.

Funding for short-term industry adjustment services (up to 12 months only) specifically targeting industries and regions undergoing change was made available throughout 2002–04. This new element of the RFCS program offered greater flexibility by enabling communities to deal with difficult issues facing particular industries. Short-term industry adjustment services were for regions where the community and industry believed that a strategic short-term service would help stimulate producers to look at the long-term outlook for their industry and to consider adjustment options for their enterprise.

4.3.2 Short-term industry adjustment services and long-term community services

The current distribution of the 68 rural financial counselling services, which includes 63 community-based, longer-term services and five short-term industry adjustment services, provides an RFCS across most agricultural regions of Australia, excluding the Australian Capital Territory and Northern Territory. These services provide free and confidential assistance to help rural enterprises in financial difficulty to assess their current financial position and make sound decisions about their business future.

The key activities undertaken by a rural financial counsellor in the community based, longer-term services include:

- assessment of the enterprise's current financial position and cash flow
- review of contracts and loan applications with lending institutions
- communication and facilitation of meetings with lenders and financial institutions
- information on government and industry assistance schemes
- information on, and referral to, Centrelink and other relevant services
- assistance with business decision making in relation to their enterprises
- assistance in considering a range of options for the future
- collection and provision of data on client-related activities.

The financial counsellors employed under short-term industry adjustment services conduct similar activities, with a focus on assisting clients with industry adjustment, which includes industry liaison, promotional work and group (as well as individual) service delivery.

The main aims of the short-term industry adjustment services are to:

- meet a short-term, or immediate need within a specific industry
- provide a coordinated service to producers within a particular industry or region
- provide Australian Government funding for up to 50% of service costs for up to one year
- provide information to assist with industry change and/or adjustment
- provide rural financial counselling services to achieve these aims.

When assessing applications for a short-term service, the Rural Financial Counselling Advisory Committee considered the availability and location of other rural financial counselling services in the area to determine the need for financial counselling under a short-term industry adjustment service. Other major considerations were the need for adjustment in the industry or region, and the applicant's proposed adjustment outcomes.

Under the current model, short-term industry adjustment services provide flexibility for communities to meet a short-term or immediate need within a specific industry. Rural financial counsellors provide a coordinated service to producers within a particular industry or region by assisting with industry liaison, and group, as well as individual, service delivery. The review committee notes that, through the RFCS, this flexible delivery approach has assisted industries in need to achieve their aims. Any new funding model should retain this component of the RFCS program.

4.4 THE BOUNDARIES BETWEEN SOCIAL AND FINANCIAL COUNSELLING

Counselling may be viewed as a special kind of helping relationship: a repertoire of interventions or a psychological process (Nelson-Jones 1995). Zastrow (2003) writes of the phases of counselling from the perspective of the client as follows: problem awareness; the relationship with the counsellor; client motivation; conceptualisation of the problem; exploration of the resolution strategies; selection of a strategy; implementation; and evaluation. The focus of the counselling activity can be various, and counsellors typically train to provide counselling of a specific type. On numerous occasions, the review committee was told of situations in which rural financial counsellors were asked or expected to perform roles that were of a purely social counselling nature. Nevertheless, the core business of the RFCS is financial. The current qualifications of the RFCS staff are almost exclusively in the area of finance and not in psychology, sociology, social work or other human-service areas.

'Social counselling' requires a special set of skills that complement but are different from those of the financial counsellor. Those professionally trained in social counselling, in addition to active listening and engagement skills and other basic human relationship skills, will also be aware of various therapeutic approaches, various models of professional social counselling, approaches to motivating clients, various personality theories, an understanding of social models of human behaviour, knowledge of lifespan development, a capacity to make sound assessments on a multi-dimensional or systemic level, approaches to changing behaviours and beliefs, skills in mediation and negotiation, transference, vicarious trauma, family therapy and a range of other skills and abilities. Professional counsellors are subject to ethical considerations and codes of behaviour that should ensure both the protection of the client and the counsellor, and emphasise the need for accountability.

The potential exists for RFCS staff and management committees to exceed their professional competence and leave the service, the management committees and themselves exposed to both legal risk and personal trauma. All stakeholders emphasised the difficulty of separating financial counselling from the emotional and relationship issues that may contribute to or arise from financial difficulties.

From the submissions, it appears that many RFCS staff have very well-developed interpersonal skills and have clear capacity to discern when a referral to a professional counsellor needs to be made. Knowing the limits to counselling capacity is important for both the counsellor and the client. Generally, no standards appear to exist about when, and to where, to appropriately refer clients for social counselling. There is no standard minimum entry requirement for RFCS staff in the area of social counselling, no consistent training and staff development in social counselling, limited supervision of the issues of social counselling and no enforceable code of conduct.

The review committee did not find substantial evidence in many places of a well-developed support structure for rural financial counsellors, a coherent and mandated code of conduct or an accountability structure that would ensure that the RFCS did not go beyond its competence in the area of social counselling. Given that some oral and written submissions highlighted the issues of mental health, suicide and self-harm, domestic violence and social isolation, there is potential for staff and services to go beyond their level of competence. Most other providers of financial counselling, on the other hand, have established clear protocols to prevent a cross-over between the two roles: in fact one said: 'It is forbidden to do both emotional and financial counselling with the same person'. The normal protocol is:

- deal with the immediate situation
- seek supervisor advice
- refer.

It is recommended that any future service delivery model ensure that there is minimum entry level knowledge of social counselling, a staff development and training focus upon social counselling (particularly the limits of capacity), a supervision structure that ensures the health and well-being of RFCS staff and clients, and membership of, and adherence to, a code of conduct and behaviour.

4.5 OTHER PROVIDERS OF SOCIAL AND FINANCIAL COUNSELLING AND INFORMATION

The review committee's consultations indicated that almost all financial counselling services, whether in metropolitan or rural and regional areas, are funded by state or federal governments, either as an outsourced service through not-for-profit organisations (for example, Family and Community Services), through non-profit community organisations such as Anglicare, Uniting Care Wesley and Lifeline Community Care, Centrelink Commonwealth Financial Counselling Services), or as a direct service by a state agency (for example, the QDPIF Farm Financial Counselling Service).

In the time allocated it was not possible for services in all states to be mapped, partly because of the difficulty in identifying all the agencies responsible for service delivery. An indication of the number of financial counselling services offered can, however, be seen in Appendix 14, where services funded by state and other Commonwealth Government departments are mapped. It should also be noted that while Anglicare in Tasmania is responsible for all financial counselling across the state, it had had no significant interaction with the RFCS in that state, despite both counsellors of Anglicare being located close to both counsellors in the RFCS. From various reports, this appears to be the case in many, although not all, jurisdictions.

Up-to-date maps of financial counselling services across all states would be of benefit, but an additional obstacle is the differing accreditation and authorisation standards in each state, for recognising and funding 'financial counsellors'.

The North West Rural Counselling Service argued that: 'the main criteria should always be that there must be a debt, but the availability of other providers, both professional and government services, must be taken into consideration'.

> The RFCS occupies a specialised role in dealing with farm sector adjustment, as opposed to urban-based financial counsellors. In the formation of any new program model, a detailed mapping of government and non-government providers of financial counselling services in rural and regional Australia should be undertaken to more accurately determine where there is duplication and overlapping of services.

5 HOW WELL HAS THE CURRENT SERVICE MET NEED?

5.1 AWARENESS OF THE PROGRAM

The AAA package was introduced in 1997 and reviewed in 2002–03 (DAFF 2004b). Our review found there had been a steady increase in both awareness of and participation in AAA programs since 1998. The 2002 rural producer survey (SMR 2002) of 2500 primary producers showed that 68% of respondents knew of the RFCS program, with 15% of those surveyed having either used or otherwise benefited from it. Survey results also highlighted the cross-linkages between AAA programs and other DAFF programs. For example, of the 24% of respondents who had used or benefited from farm management deposits (FMDs), 18% had used or benefited from the RFCS. Similarly, of the 13% who had used or benefited from exceptional circumstances relief, 37% had used or benefited from the RFCS program.

In 2002, BRS undertook an analysis of national client survey data for the RFCS program (Magpantay et al. 2002). The survey sample consisted of 3882 respondents drawn from rural and regional communities across Australia who were clients of RFCS. Eighty-three percent indicated they were primary producers. At a national level, respondents most frequently became aware of their local RFCS through informal networks such as a friend or colleague (36%). This was followed by industry or farmer associations with which respondents had contact (19.4%) and next through advertising (12%). Informal networks were the dominant means of gaining awareness of the service for the majority of the states. Industry and farmer associations played a prominent role within particular states, especially Tasmania (33%), where it was the most frequently cited means of awareness, but were important too in New South Wales (21%), Victoria (23%) and South Australia (14%). The role of community organisations was important for Queensland and Western Australia, while banks and creditors were relevant to respondents in New South Wales, Queensland and Tasmania. Telephone directories and websites were the least frequently cited means of becoming informed of the RFCS.

Recent studies and anecdotal evidence presented to the review during consultations also indicate that those who seek assistance from the RFCS are satisfied with the services provided. The study of NSW Western Division graziers, *Leaving the land* (Webb et al. 2002), found that rural financial counsellors were approached for financial and business advice by just under 60% of respondents. Very high levels of satisfaction were reported for those who used rural financial counsellors, but respondents noted that the extent and number of clients that rural financial counsellors were required to deal with restricted their ability to reasonably service clients. Webb et al. (2002) noted:

> Rural financial counsellors are expected to service too large an area and more clients than they could reasonably be expected to service in the manner they, or the client desired.

The study also noted that rural financial counsellors were most frequently accessed for personal or family counselling services.

5.1.2 The value of client-satisfaction surveys

Under the current RFCS program monitoring and evaluation processes, rural financial counselling services are encouraged to circulate and collect client-satisfaction surveys annually to gauge client interaction with rural financial counsellors and satisfaction with the services provided.

Several submissions made to the review committee produced information and feedback from clients on the value of and satisfaction with the current services. The results were positive for the services received from their rural financial counsellor. However, details of the methodologies used in these customer surveys were not provided.

The review committee believes that this leaves the results of such surveys open to accusations of bias. Client satisfaction surveys should be conducted by qualified independent survey providers using methodology that minimises bias in the results.

The risk of bias in the results of client satisfaction surveys should be minimised by engaging independent survey providers.

5.2 ANECDOTAL EVIDENCE

Anecdotal evidence suggests rural financial counsellors play a valuable role in farm sector adjustment and in providing decision-support for primary producers in difficult times such as drought.

In face-to-face consultations, many submissions reiterated the importance of rural financial counsellors during drought. Counsellor workloads increased during drought and in the adjustment period immediately following it. During these difficult times, RFCS clients perceived 'that counsellors understand us better than anyone else'.

The review committee heard that counsellors were often failing to distance themselves from the emotional stress affecting their clients. Personal counselling issues often arose from financial discussions 'around the kitchen table'. While there was a need for counsellors to be skilled enough to listen and refer clients to appropriate service providers, in more remote or marginalised communities where services were inadequate, counsellors filled the gap:

> Counsellors tend to 'own' the client – and the trust that builds inevitably leads them into areas where they didn't expect the conversation to go, including wider social and personal issues.

This relationship between rural financial counsellor and client also led to an advocacy role for counsellors that had the potential to compromise their objectivity. The review committee heard counsellors were often advocates for primary producers to stay in farming, rather than offering options for change, including leaving the land.

There is anecdotal evidence that primary producers would prefer to visit rural financial counsellors rather than Centrelink, due to the perception that Centrelink was a welfare agency. During consultations, the review committee heard that Centrelink-supervised counsellors would be unacceptable to the client, as the agency 'did not understand the primary producer'. However, other submissions said that Centrelink and counsellors worked together in complementary roles.

These complementary roles are also evidenced in *Farm Help – supporting families through change: case studies*, compiled by DAFF in 2004 (DAFF 2004a). These case studies profiled farmers who had accessed assistance under the Farm Help program, which assists primary producers in serious financial difficulty while they improve their long-term financial prospects. Farmers initially contacted their rural financial counsellor for assistance, who then accompanied them to Centrelink. Those profiled were often surprised by the level of professionalism of Centrelink officers:

> The Centrelink people were wonderful. They explained all the options and we put a plan together to enable me to retire. With the help of the rural financial counsellor and Centrelink, everything began to fall into place.

The results of a survey of client perceptions of Centrelink undertaken in 2002 (SMR 2002) show evidence of increasing acknowledgment among primary producers that Centrelink provides a wider range of services than welfare and social security.

Anecdotal evidence can assist in providing insights into perceptions of the RFCS, but a more measured analysis of wider research and data is needed to evaluate the issues and concerns raised in consultations and case studies.

5.3 THE AVAILABILITY AND ADEQUACY OF CURRENT DATA AND EVALUATION TOOLS

5.3.1 Data in the Australian Rural Counselling (ARC) client statistical database

There are a number of issues concerning the adequacy and reliability of data in the ARC database, including the role of the database itself, consistency of data input and completeness of data.

The intended purposes of some parts of the database are unclear to users, which calls into question the consistency and reliability of some data. For example, information on 'enterprise details' records businesses financial information such as 'asset value', 'cash income' and 'peak liabilities', but the accounting convention (cash or accrual basis) used to derive these values is not specified. Therefore the input data could vary depending on the interpretation used by the individual counsellor, calling into question the usefulness of this data for analysis.

Anecdotal evidence from program staff suggests that entries may be being dealt with differently between the services. An example in the past related to entries for recording succession planning. While preparation for referral to a professional succession planner is allowed under the funding agreement, it is understood from field visits and database training sessions that some services were not filling-in this field for fear that they may have been breaching their funding agreement, even though they may have been supplying this initial service to their clients.

During its 2003 audit of 24 RFCS services, Acumen Alliance Consulting found that rural financial counsellors:

- have an inconsistent definition of clients, leading to lack of comparability of client numbers reported
- are inconsistent in their use of ARC categories, which has resulted in a lack of comparability across services
- do not back-up their data regularly, which has resulted in ARC information being lost through computer failure, theft or fire.

Acumen recommended that there be mandatory data fields within the ARC database. As a minimum, counsellors should be required to enter all of the relevant contact details of clients, including their address and phone number. All clients should be assigned a client number or code, and all 'assistance' made available to the client by the counsellor should be recorded.

All the above examples lead to questions regarding the reliability of data in the database. Additionally, the reliability of data is questionable as there is limited or no performance audit/evaluation by employers or supervisors because of the way in which counsellors interpret client confidentiality requirements.

Analysing the data

A condition of the RFCS funding agreements is that each service maintains complete and accurate client information on the ARC database. However, no formal checking processes or regular audits are undertaken to validate data input. In order to provide the review committee with a picture of the nature of activities undertaken by services, analyses have been conducted on the raw data and information currently held in the database.

The method of storing information in the ARC database has undergone several changes since the inception of the RFCS program. In analysing the data, it has been necessary to perform filtering procedures to bring it to a common basis for analysis. The filtering procedures may affect the absolute accuracy of some calculations but this effect is thought to be minimal.

It should be noted that clients' personal details are accessible only by their counsellor and client confidentiality and privacy is completely respected and protected.

Table 1 details the total number of existing and previous clients recorded in the ARC database by services. Clients are classified as either:

1. short term – client 3 years or less
2. long term – greater than 3 years.

The proportion of clients in the long-term classification is around 45% and this may support the view that adjustment is not receiving a high enough priority in the program. Various studies and evaluations undertaken by DAFF indicate that adjustment generally takes in the order of two years to complete.

Table 1. Number of years clients have used the RCFS

Total number of clients analysed	No. of short-term (up to 3 years)	%	No. of long-term (greater than 3 years)	%
20,636	11,280	55	9,356	45

Table 2 gives details of the relative times spent by rural financial counselling services providing various types of assistance to clients, expressed as a percentage of total activity hours reported by a random sample of 50% of services for the period from 1 January 2003 to 30 June 2004. It should be noted that the activity hours reported by some services includes drought counselling.

The averages indicate that service activities have moved away from their original core purposes of farm debt mediation (2%) and adjustment out of agriculture (2%). Counsellors' main activities are now:

- cash flow budgeting (11%)
- information on government assistance (12%)
- negotiation with creditors (12%)
- RAS assistance (9%).

These results are consistent with the indication in Table 1 that services are tending to retain clients for longer.

Table 3 shows the main causes of client difficulty recorded by counsellors in the ARC database. These are the primary reasons that clients initially consult rural financial counsellors.

Reflecting the recent drought conditions, climatic variation (30%) is recorded as the most frequent cause of difficulty.

The other entrenched causes of difficulty are:

- commodity prices (17%)
- debt levels (11%)
- finance management skills (11%).

Table 2. Type of assistance provided by RFCS counsellors in 2003–04, as recorded in the ARC database

Type of assistance given	Average proportion of total hours reported (%)	Highest (%)	Lowest (%)
Loan restructure	3	16	0
Adjustment out of agriculture	2	20	1
Cash-flow budgeting	11	43	5
Centrelink assistance	9	24	0
Facilitate decision-making	2	38	0
Farm debt mediation	2	12	0
Farm debt planning	1	14	0
Financial contract review	1	6	0
Financial forms assistance	0	7	0
Information on government assistance	12	43	0
Information/training referral	0	12	0
Insolvency advice	0	6	0
Loan application	4	12	0
Machinery purchase	0	2	0
Negotiation with creditor	12	30	0
Other	18	49	1
Personal assistance	0	9	0
Personal counselling	1	5	0
Property purchase	0	2	0
Property sale	2	9	0
RAS assistance	9	54	0
Referral to welfare	4	29	0
Succession planning	0	8	0
Viability analysis	7	45	1

Table 3. Main causes of client difficulty recorded in the ARC database

Cause of difficulty	Percentage of total clients in classification
Climatic variation	30
Commodity prices	17
Debt levels	11
Declining land values	1
Farm size	8
Finance management skills	11
Financial environment	0
Illness, other & personal factors	22
Total	100

Table 4 summarises counsellors' classifications of client viability prospects as recorded in the ARC database. All classifications of clients, both existing and previous clients, are included in the table. Note that it is not mandatory for counsellors to provide data in this field.

Table 4. Viability prospects of RFCS clients as recorded in the ARC database

Viability prospects	Percentage of total clients in classification
No change	33
Improving	13
Deteriorating	35
Viable	1
Unclassified	18
Total	100

Table 5 contains information on the status of property sales by RFCS clients. The major portion of the data (88%) is unclassified and thus provides no indication of asset sale intentions of the majority of clients in the database. However, the remaining 12% is classified variously as having sold or attempting to sell assets and the assumption could be made that a minor proportion of clients in difficulty either intend to sell, or have sold, property assets in an endeavour to rectify difficulties. Note that it is not mandatory for counsellors to provide data in this field.

Table 5. Status of property sales by RFCS clients as recorded in the ARC database

Sale status	Percentage of total clients in classification
Attempting sale	5
Part property sale	2
Property sold	4
Part asset sale	1
Unclassified	88
Total	100

Table 6 gives the proportions of business types serviced by counsellors, derived from all ARC data of both previous and present client business types. Farmers make up the major proportion (89.25%) of clients.

Table 6. Classification of businesses serviced by rural financial counsellors

Business type	Percentage of total client base
Farmer	89.25
Small business	4.58
Fishing	0.12
Individuals	1.71
Indigenous farmer	0.30
Other	4.04
Total	100.00

5.3.2 Client files and the need for confidentiality

The RFCS is promoted as providing a free, objective and confidential financial counselling service to primary producers, fishers and related small businesses in need. Contracted rural financial counsellors and the volunteer members of the RFCS management committees need to have access to confidential and sensitive information about their clients.

The *Rural Financial Counselling Service Program Resource Manual* (DAFF 2004c) provides guidance on the issue of confidentiality and client files to assist management committees and their staff to gain a clear understanding of confidentiality requirements. The issue was also covered in recent corporate governance training.

The interpretation of the confidentiality requirements by management committees continues nevertheless to be a barrier to accurate reporting of rural financial counselling activities. Further, there is a strong reluctance by many management committee members to take on the responsibility of checking the files of the clients of their service as part of the work performance review of their rural financial counsellor(s). One of the reasons given for this reluctance is that, in the smaller rural communities, the management committee members know everyone and have no desire to know the business of their neighbours and/or friends or even whether or not they are clients of the service.

A primary responsibility of the management committees is to manage and supervise their rural financial counsellors and conduct regular performance reviews of the counsellors' work activities. The resource manual recommends that a performance review of staff should be conducted and documented at least every six months. However, the issue of confidentiality in relation to the client files has been used by some counsellors to avoid checks of their work activities by their management committees. In addition, due to the reluctance of management committee members to access client files, there have been instances of financial counsellors conducting activities outside the parameters of the funding agreement.

The review committee finds that there continues to be a misinterpretation of the confidentiality requirements in the management, governance and reporting obligations under the current community-based structures and, along with the absence of validation processes, this calls into question the accuracy of data for the program.

5.4 MEASURING THE PROGRAM'S CONTRIBUTION TO ADJUSTMENT

Submissions to the review committee strongly argued there is an ongoing community need for financial counselling services. However, the review committee, particularly in its consultation phase, was frustrated in trying to solicit from key stakeholders direct evidence of the RFCS program's contribution and indicators of success in achieving adjustment.

The interests of successful communities to maintain existing services and obtain funding for future services appeared to have a higher priority than fostering adjustment. Similarly, the issue of providing services that are free for establishing demand for services, was raised in consultations as an area which needs to factored in any analysis on determining need.

An analysis of information on adjustment on the ARC database indicates that the level of services achieving adjustment outcomes is low. This is reinforced by the low percentage of time recorded by counsellors as spent on farm-sector adjustment:

- farm debt mediation (2%)
- adjustment out of agriculture (2%).

5.5 RESPONDING TO CHANGING NEED

There are numerous examples of the requirement for additional rural financial counselling services in specific areas to deal with sudden and significant workload increases and fluctuations. A regional approach between a number of services was implemented recently in Victoria to deliver crisis relief during a drought. There was cooperation between two services in South Australia during an industry crisis. An instance of a South Australian rural financial counsellor seconded to a Queensland service for a month was reported to have worked very well.

In other locations, however, services have struggled to cope with sudden increases in workload and a lack of additional assistance from trained relief or neighbouring rural financial counsellors.

The review committee recommends that any new funding model should ensure greater mobility of resources in response to need.

Upper Murray and North East AgCare, Victoria: a regional approach between RFC Services.

The region serviced by Upper Murray and North East AgCare Inc. Rural Financial Counselling Service experienced a number of hardships in 2003, including almost 50% of the Towong Shire burnt during the bushfires, drought conditions and huge stock losses during snowfalls and extremely cold weather, as livestock had been weakened by the drought.

Following an operation undertaken by the Victorian Department of Primary Industries, in partnership with Towong Council, a Drought Response Project was established to provide stock feeding advice and to inform all farmers in the Towong Shire of the drought assistance available through the Australian Government's EC program. This meant a rapid increase in the service's workload. To help with the influx of new clients requiring follow-up assistance with complex problems and ongoing financial counselling, the service received funding to help pay salary and related expenses for employment of one locum rural financial counsellor, and running costs for further assistance from four to five visiting rural financial counsellors from neighbouring, and less-stretched, services for six weeks.

6 ANTICIPATED NEED OVER THE NEXT THREE YEARS

6.1 SHORT AND LONG-TERM PRESSURES ON THE SECTOR

The RFCS program has historically responded to two forms of need: long-term adjustment pressure and short-term crisis (such as a climate or market/price event).

Continuing pressures

Farm prices

The continuing downward pressure of commodity prices is one of the main reasons a new group of farm enterprises (estimated at between 10 and 25% of enterprises) becomes marginally viable every decade. In the past four years, however, rising real-estate values have improved debt/equity ratios and have to some extent masked a pessimistic long-term outlook for enterprises.

> The uncertain environment in which primary producers operate, including drought, bushfires, flood, fluctuations on global markets, etc. ensures that there will always be stress situations, exacerbated by the links between family/business and way of life, which differs from most other sectors in the nation's overall economy.
>
> *Australian Institute of Agricultural Science and Technology, Victoria*

Changes in markets and consumer preferences

While Australian farmers have benefited from the opportunities of expanding global trade, competitiveness has increasingly been determined by their ability to respond to consumer and market signals. As a consequence, many Australian farmers have shifted from production-based farming to a market-driven approach to agriculture.

Support for farm enterprises is therefore more effective where it assists farmers to access and use market and consumer information and to enhance supply chain integration. Attempts to shelter the farm sector from market change have generally served to reduce competitiveness in the long term.

Resource access

Changing community expectations, declining resource conditions and a concern for resource sustainability have affected resource access for both farming and fishing industries, largely through regulation and pricing mechanisms.

In some cases, as in the closure of commercial river fishing in South Australia, enterprises have disappeared immediately. In other cases, change to resource access and resource input costs has been more gradual, and many enterprises have delayed their responses to these signals. It has been estimated that as many as 1 in 3 water-dependent farm enterprises will become unviable as a result of such changes in the next decade. There is a need for financial counselling to assist farm enterprises affected by diminishing access to resources, particularly due to water reform.

Climate change

While there are many uncertainties about the extent of global climate change, it is commonly agreed that there will be increased variability of temperature, rainfall and other climatic factors. Despite some recent rains, many parts of rural Australia have had limited opportunities for recovery from drought. There has been agreement amongst the majority of stakeholders that future drought policy needs to emphasise better information and preparedness for future climate events. At the same time, enterprises need to re-assess the sustainability of current farming practices in the context of long-term rainfall patterns in the regions.

Generational change

While the average age of farmers and farm managers is in the fifties (SMR 2002), a significant number of farmers are in their sixties and seventies and planning for retirement, and life after farming is a matter of urgency. The rural producer survey in 2002 also found that one in every four farmers was thinking of retirement or semi-retirement within five years, but only one in four of this group actually had a retirement plan.

6.2 THE TARGET GROUP – NON-VIABLE AND MARGINALLY VIABLE FARM ENTERPRISES

Non-viable farm businesses are those that have net negative returns in value over the long term. If successful adjustment is not achieved, non-viable farm businesses are at a high risk of eventually being declared bankrupt. Farm enterprises become non-viable for a combination of reasons. Non-viability could be due to unsustainable debt level, long-term downturns in commodity prices or climate favourability, unforeseen costs, undersized productive area or the inability of the farmer as an entrepreneur to profitably and efficiently manage resources.

It should be noted that non-viable farms are, by their very nature, less prepared for significant downturns, most notably drought. As a result, these farms experience the negative effects of downturns earlier and more severely than those businesses that plan and prepare for such events.

Farmers who are struggling to survive share a range of common characteristics, as indicated by financial situation, age, farm size, management style, off-farm income, degree of involvement with innovation, education and new enterprise, the specific industry the farmer belongs to and the state of the farm's natural resource assets.

A key AAA adjustment program for non-viable farmers is the Farm Help – Supporting Families Through Change program. The focus of this program is on adjustment – not welfare. It supports the decision-making of low-income farmers who cannot access further finance, to take actions to improve their farm business or leave farming. The program emphasises the use of strategic information, analysis and advice to support decision-making about the future. Farm families work through a 'pathways plan' that integrates advice, opportunities to gain new skills through training and up to 12 months income support. For farm families who decide to leave farming, a re-establishment grant of up to $50,000 is available.

Between the start of the program on 1 December 1997 and 3 October 2004, 8968 farmers received Farm Help income support and 1084 farmers re-establishment assistance. The program has also funded 10,878 professional advice and training sessions for 7666 farmers (farmers can access more than one professional advice session and/or training course). Appendix 16 details trends in numbers of farmers seeking and receiving Farm Help income support between May 1999 and October 2004.

As demonstrated in the second chapter of this report, there are significant barriers delaying adjustment, including exit from farming. Farm Help exit surveys suggest farm families access other forms of government assistance and hang on for as long as possible before adjustment out of farming.

Under the funding agreement between the Australian Government and the RFCS, counsellors provide information and referral services for their clients. In many instances, counsellors provide a front line and important service for many Australian Government programs, including the Farm Help program. They have a crucial role in the identification of possible participants and provide encouragement to farmers to contact Centrelink about programs the government is providing for farmers. In relation to the Farm Help program, counsellors are able to provide a comprehensive range of assistance to Farm Help clients including:

- working with farm families to explore their current circumstances and options for the future, including information about government programs
- referring farmers to Centrelink at an early stage to discuss the range of programs, including Farm Help and other industry specific packages
- providing assistance to farmers after they take up the Farm Help re-establishment grant to help them to adjust to their new life off the farm.

In its submission to the RFCS Review, the National Farmers' Federation (NFF) agreed counsellors 'must play an increased role in promoting the new Farm Help arrangements, ensuring that farmers take advantage of the $5500 available to seek professional advice and to develop an options plan'.

Early intervention was seen as an important role in the face-to-face consultations. South West Rural Financial Counselling Services Inc. felt that the program should target not only those clients who were in 'a major financial crisis', but also those who were 'in some difficulty' to try to prevent them from reaching a crisis situation. The RFCS program had worked well with the Farm Help program to help turn failing enterprises around and 'assist farmers to farm more profitably'.

The McColl report (1997), found that 'farmers who face losses and an erosion of equity and decide to leave farming should be encouraged to do so as early as possible in order to maximise their assets on departure'.

The review committee recommends that future program objectives include encouraging primary producers, small rural businesses and fishers to make early contact and use of services through increased awareness of the benefits of early intervention, giving them greater capacity to effectively manage change and adjustment by making informed decisions.

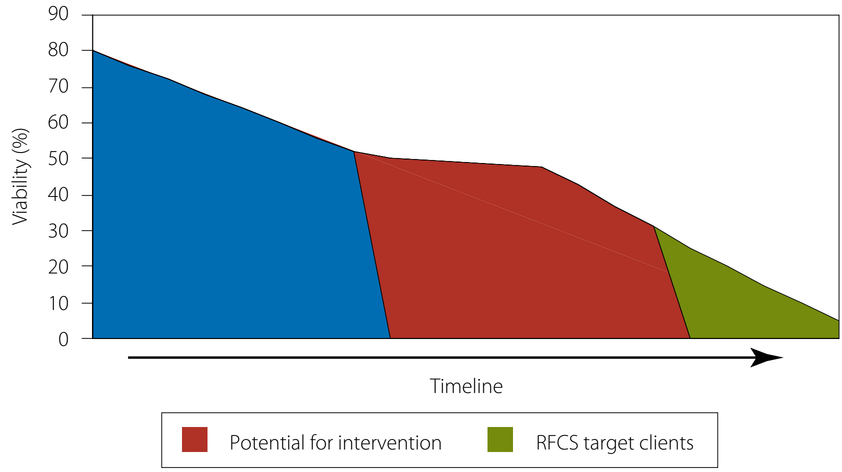

Figure 16 Potential for early intervention, before 'crisis' point and assets and equity have been eroded.

6.2.1 Farmers accessing and coming off Exceptional Circumstances (EC)

There are two assistance measures delivered under Exceptional Circumstances – Exceptional Circumstances Relief Payments (ECRP) and EC Interest Rate Subsidies (ECIRS).

ECRP is delivered by Centrelink on behalf of DAFF. ECRP provides assistance to farmers living in Exceptional Circumstances declared areas who are having difficulty meeting personal living expenses. An example of EC might be where an area is affected by rare (that is a 1 in 20–25 year) and severe drought.

After an area is declared as experiencing EC, eligible farmers can apply for ECRP with assistance available for up to 24 months. Map 1 in Appendix 17 shows areas of Australia that were either EC declared or had demonstrated a *prima facie* EC case, as at 14 September 2004.

Maps 2–4 of Appendix 17 show areas that are nearing the expiry of their two-year EC declarations. The majority of change will occur toward the end of 2005 in the pastoral zones of Western Australia, southern Queensland and western New South Wales.

If an area is EC declared, farmers can also apply for ECIRS on new and existing commercial loans of up to $100,000 for two years. The subsidy is 50% of the interest payable. State rural adjustment authorities administer ECIRS in all states and territories under agreed Australian/state government guidelines issued for each declaration.

The significant number of farmers coming off EC assistance will mean a reduction in the number of EC application forms that rural financial counsellors currently assist clients with. However, it may also mean that these same farmers then need help with other adjustment issues and assistance with decision-making and farm-management options.

It should be noted that EC areas are subject to some change as an EC declaration is for a maximum of two years. The maps in Appendix 17 were correct at the time of the review, but a number of areas in which the EC support is due to finish in the 2004–2005 financial year may have support extended under a roll-over process that extends assistance for a further 12 months.

6.2.2 Resource access and regulation

Water is a vital, but finite resource. As the world's driest inhabited continent, Australia needs to use its limited water resources wisely.

The Department of the Prime Minister and Cabinet website (2005) has noted

> …the continuing national imperative of increasing the productivity and efficiency of Australia's water use and to ensure the health of river and groundwater systems. This will require arrangements that provide greater certainty for investors in the water industry and for the environment, and which will allow Australia's water management regimes to adapt to future changes in water availability responsively and fairly in both rural and urban areas.

In 2000, the Australian Water Resources Assessment and the Bureau of Rural Sciences (BRS) defined and mapped both surface and groundwater management areas across Australia, reporting on water quality, use and allocation. Appendix 18 gives maps showing allocation and level of use of surface and groundwater across Australia:

- Groundwater – Map 1 in Appendix 18 indicates that groundwater use exceeds the total volume available, while Map 2 shows areas of Australia in which water is either fully allocated or highly used.
- Surface water – Map 3 indicates the surface water areas (river systems) that are overstressed and over-allocated, and Map 4 areas that are either fully allocated or highly used.

Water rights and water trading will become increasingly important to rural and regional Australia. State, territory and Australian governments have agreed to a 10-year program to improve the sustainable management of water. The water reforms will greatly assist the irrigation industry which is the major user of freshwater in Australia, consuming some 70% of all water used.[1] A further 21% goes to urban and industrial uses and the remaining 9% to other rural activities.

Major water reform being implemented through the National Water initiative will improve security of water rights for irrigators. At the individual property level, there will be expanding opportunities to sell, trade and borrow against water rights. This may lead to major structural adjustment in some industries and regions. Many irrigators will need to be well-informed on financial matters to assess their options. Irrigators will need advice on major restructuring of their enterprise (with greater access to finance, including through sale of water rights) or existing agricultural practices (through sale of land and water rights).

In relation to other resource access issues, it will be important to have an understanding of state-based land regulations in providing options on farm management and therefore farm viability. This will be more important in areas where changes in regulations have occurred; in Queensland, for example.

6.2.3 Median age of farmers and future intention in industry

Age is an important indicator of the changing dynamics of the agricultural workforce. Regional-level statistics (see Appendix 19) show that in some areas of Australia the median age of farmers and farm managers is rising. Farmers are working longer, into their later years and younger people are less interested in taking over the farming enterprise.

It is thought that older farmers are less likely to implement sustainable farming practices. Younger farmers tend to be more aware of land degradation and are more likely to have prepared farm-management plans and budgets but not necessarily any more prepared to implement other sustainable farming practices.

The median age of farmers has been rising more rapidly than that in other occupations. Change in the median age of farmers is mapped in Appendix 20.

The pressure on smaller farms is making it harder for them to maintain competitiveness in the face of continual commercial upheaval and increased farm running costs.

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1 The pilot interstate water trading project information pack, information sheet 1, Murray–Darling Basin Commission, 1998–1999.

6.2.4 Property values

Although the value of farming land has increased significantly, commodity prices have remained static or improved only marginally and certainly not in proportion to rising land value. Consequently, equity has been strengthened, but the ability to service debt has not improved. Farmers, whose business position is, at best, marginal, have been encouraged to struggle on in the hope of further value increases and improving equity. Expansion of viable farm businesses has been made more difficult, putting pressure on profitability and increasing exposure to the risk of higher debt loads, adverse seasonal conditions and falls in commodity prices.

These issues were raised in written submissions and in face-to-face meetings during the Review Committee's consultations:

> …massive jumps in land values for best country from $2000 to $3500 – but no comparable increase in price for wheat. People are now leasing their properties and using the income as superannuation.

Rabo Bank, WA

> The people who present to us today are very different. Haven't had a client for years who was being threatened with being pushed off. Now, with rising farm values, the farmer fails to service debt long before bank's investment is at risk. Now – less stigma, and better networks. However, process of sitting down and helping understand situation and options has not changed.

Rural Financial Counsellor, Vic

> If we can get a farm family through we do. If you think we are taking a softer approach because of increasing land values, you are wrong. We used to have rules of thumb of equity above 70%; x of 1:1… Now, if a farmer can service his debt, everyone is secured. The bottom line does not change – they have to be able to meet their interest.

Bankwest, WA

> While the initial objective of the scheme may have been to provide short-term assistance, the reality is that where one family has owned a property for many years, there is strong resistance to suggestions that the property should be sold. People who have bought into the district more recently are more prepared to accept that they have made a mistake and that they need to do something about it. The continuing rising levels of farm debt are a cause for concern and suggest that the problems will not disappear in the short term.

North West Rural Counselling Service, NSW

7 APPROACHES TO SUPPORT IMPROVED GOVERNANCE

7.1 UNDERSTANDING THE RISKS TO THE CLIENT, TO THE MANAGEMENT COMMITTEE, TO THE COUNSELLOR AND TO GOVERNMENT

7.1.1 The *Financial Services Reform Act 2001* and ASIC licensing/exemption

What are the implications of the *Financial Services Reform Act* for rural financial counselling?

In 2001 the Australian Government passed legislation, the *Financial Services Reform Act* (FSRA), designed to protect consumers and improve the consistency of licensing for practitioners in the financial services sector. The Act was the result of an inquiry that found that financial system regulation was piecemeal and varied, with room for confusion, unfairness and inefficiency. The FSRA was designed to create a competitively neutral regulatory system which:

- ensures adequate levels of consumer protection and market integrity by giving consumers a more consistent framework of consumer protection in which to make their financial decisions
- establishes a standard of conduct for financial service providers
- benefits participants in the industry by providing more uniform regulation, reducing administrative and compliance costs
- introduces a new disclosure regime for most financial products.

By setting standards for service providers, the FSRA reforms provide enhanced protection for clients. This is particularly important where clients are especially vulnerable: those without high levels of consumer and financial literacy, those who may already be in financial difficulty, and those without ready access to other forms of financial advice. These are characteristics shown by many clients of the RFCS.

Do these requirements apply to the RFCS?

For the RFCS, it is important to determine whether the activities of counsellors would require licensing. Under the FSRA, three options apply:

- obtain an Australian Financial Services license through ASIC

or

- obtain relief from the licensing regime

or

- take steps to ensure that the business does not undertake regulated activity.

Therefore, if the RFCS is to continue to operate, it will need to become licensed; seek exemption from the Act because its activities were not covered by the Act; or seek relief from licensing.

Should the RFCS seek licensing?

To date it has not been considered desirable to seek ASIC licensing for the RFCS because:

- licensing would be difficult to obtain and expensive
- RFCS program grants are not intended to cover the kinds of activities that would require licensing
- RFCS funding would not be sufficient to cover the increased insurance premiums associated with licensed activity.

Are the activities of the RFCS exempt from licensing?

The contract between the Australian Government and individual grant recipients does not allow services to provide financial advice, but it has not been possible to determine whether the service *as a whole* has adhered to this rule.

Audits of the program show that:

- current governance arrangements are highly varied
- these arrangements, and the privacy of client files, do not allow certainty about the extent to which counsellors may give advice on financial products and other financial matters
- practices by some counsellors may include proscribed activities (including advice on financial products).

> The review committee considers that, under present RFCS program arrangements in which governance is devolved to 68 separate volunteer management committees, it would not be possible to seek exemption for the service as a whole.

Could RFCS grant recipients and counsellors seek relief from licensing?

ASIC recognises that special consideration should be given to agencies offering 'professional delivery of financial counselling services to consumers in financial difficulty'. In December 2003, it gave financial counsellors relief from licensing requirements under the FSRA. A copy of ASIC's information release (IR 03-39) can be found on the ASIC website <www.asic.gov.au> under 'media and information releases'.

However, this relief was subject to certain conditions:

- no fees or charges are charged for any aspect of the service
- financial counsellors are appropriately trained to carry out the service
- financial counsellors are members of, or eligible for membership, of a relevant financial counselling association.

As discussed later in this chapter, many not-for-profit providers of financial counselling services have been able to gain licensing exemption from ASIC because they have achieved three things:

- their counsellors are required to have specific, recognised skill levels and to maintain their currency through ongoing training and professional development
- close professional supervision (including file audit) enables providers to ascertain the nature of activities that are being undertaken and to manage the risk that counsellors may operate outside the program's guidelines
- their counsellors are members of relevant, standard-setting financial counselling associations.

What is 'information' and what is 'advice'?

ASIC advised the review committee that

> …a consultation may commence with the intention not to give advice but may end up there. The test is whether a reasonable person would assume that a person would make a decision in relation to a financial product on the basis of what is said.

The review committee considers that the current governance arrangements for the RFCS do not provide sufficient consistency of delivery, supervision or skill standards to meet the requirements of the FSRA, whether for licensing, exemption or relief from licensing requirements. For this reason alone, any new delivery model for the RFCS should ensure that these conditions are met.

7.1.2 False security? Professional indemnity and limited liability

A key issue for consideration by the review committee is whether or not management committees are aware of the risks associated with professional indemnity and their organisation becoming the subject of litigation. Do volunteer management committee members realise the full range of risks involved with these issues, or are they depending on protections such as professional indemnity to protect them in case of legal action?

Planning for and managing risk

The funding agreements between the Australian Government and each individual community organisation managing an RFCS set out the minimum requirement for appropriate and current insurance policies. Public liability insurance to the value of at least $10 million per claim, directors' and officers' insurance and professional indemnity insurance are identified as some of the minimum insurance requirements.

The *Rural Financial Counselling Service Program Resource Manual* (DAFF 2004c) recommends that management committees develop a business plan for their service. This plan would set the direction of the service and identify the important management issues the management committee should focus on. A risk assessment is included as an important part of this process, with identified risks to be recorded in a risk table.

Despite this, the 2003 Acumen Alliance performance review and audit found that most services did not have business or risk assessment plans in place. The audit identified corporate governance and risk management as areas of considerable concern.

> As services are incorporated associations, management committee members are legally liable – which may not be fully understood by management committee members.

In order to raise the awareness of management committee members of their governance responsibilities and to improve risk-management practices, DAFF provided training for chairs and other representatives from management committees around the country. These training workshops were well attended and volunteer management committee members were encouraged to recognise the importance of good corporate governance and the risks associated with inadequate management practices. At the workshops, management committee members were asked to consider the potential risks to the organisation; possible adverse outcomes of the risks; the probability of occurrence;

level of risk they are prepared to accept; what, if any, measures can be implemented to eliminate the risks and what practical measures can be adopted to manage the risks to an acceptable level, if they cannot be eliminated. Appendix 21 outlines the coverage of the corporate governance workshops.

In recent years, there have been examples where services have faced the risk of litigation due to unprofessional actions by a rural financial counsellor. This experience becomes quite traumatic and stressful for the management committee members involved, as the full impact of the situation is realised and needs to be managed.

Does the current governance model for the RFCS pose unreasonable risk on volunteers?

During the consultations it was apparent that there was growing dissatisfaction with the current model because of the legal and financial risk imposed on volunteers. A number of stakeholders commented along the lines that the volunteers, while being well-intentioned people, 'often don't understand the huge risk they are taking on'.

The risk to volunteer management committee members was highlighted by one stakeholder who commented that 'corporate governance of services is the major concern of all volunteers on management committees' and went on to say that 'the associated risks with unsatisfactory counsellor supervision opens the door to major litigation claims on management committee members' (Maranoa Rural Management Centre).

The NSW Farmers' Association commented that 'the most capable have attended governance courses and then wonder why they should voluntarily take such risks'. As a result of the perceived risks, 'management committees are struggling with less members and increasing workloads and responsibilities, leading to further burnout'. Another submission commented:

> Corporate governance of services is the major concern of all volunteers on management committees. Following the recent workshops coordinated by DAFF, it is expected that many if not all management committee members should be considering their involvement in the RFCS. The current guidelines are too vague and open to mis-interpretation. The associated risks with unsatisfactory counsellor supervision open the door to major litigation claims on management committee members.

Some stakeholders remained optimistic that they would be able to monitor counsellor performance and manage risk by keeping 'an ear to the ground'. However, the NSW Farmers' Association voiced the concern of many stakeholders that this may not be enough.

The difficulties of performance measurement, means that if the rural financial counsellor is not carrying out his job satisfactorily the management committee may not be aware and, in any case, cannot act until clients actually report problems. The long time frame can leave a district in the lurch. People living in a close community are reticent to report dissatisfaction with the service.

Do insurance and incorporation offer protection?

DAFF sought legal advice about directors and officers liability from the Minter Ellison law firm. Minter Ellison advised that 'limited liability' can be achieved either by incorporation under state and territory incorporated associations legislation, or by incorporation under the *Corporations Act 2001* (either limited by shares or guarantee). Either course would provide members with limited liability for liabilities incurred by the incorporated entity. That is, the personal liability of members for the liabilities of the incorporated entity will be limited to a nominal amount.

Understanding risk and liability

The review committee considered a number of examples of management committees facing legal risk because of the perceived constraints posed by 'client confidentiality'.

In 2004, a client advised one management committee that the service's counsellor had given advice that was likely to result in substantial financial loss for the client and possible litigation. The management committee faces the risk that these costs will be passed on to the committee if the client takes legal action against the service.

Will the service's insurance cover this risk?

Some factors that may impact on this include:

- whether the client did receive advice on a financial product in breach of the service guidelines
- whether this advice was negligent
- whether the management committee had taken enough steps to ensure that the counsellor was acting in accordance with the employment contract and to protect the client from risk.

The entities would need to satisfy the particular eligibility rules established by each state and territory's incorporated associations act. The *Corporations Act 2001* is Commonwealth legislation and its requirements are uniform across Australia, but it is a more expensive and complex regulatory regime than that of state and territory incorporated association.

Minter Ellison also advised that some exclusions commonly found in insurance policies mean that *insurance cover is never absolute*. Some common exclusions from policies can be:

- property damage or personal injury claims arising from intentional or reckless conduct
- wilful breach of duty
- dishonest, fraudulent or malicious acts or omissions
- liability of employees or officers arising from their deliberate disregard of the need to take reasonable steps to prevent losses.

The exclusions applicable vary from policy to policy.

Given these considerations, as well as the comments made by stakeholders in both written submissions and at face-to-face meetings, the review committee considers that:

- The level of liability risk placed on volunteer members of management committees under the current arrangements is no longer acceptable.
- The present governance arrangements with responsibility devolved to 68 individual employers is not appropriate for a program with such large inherent risks of legal liability.
- As corporate governance and risk management requirements are likely to increase in future years, rather than diminish, structured management arrangements for the delivery of rural financial counselling are considered imperative.

7.2 THE SOURCES OF RISK

In the course of delivering the RFCS program, each of the parties involved in its delivery has different exposure to liability. There are four main legal entities that may be exposed to actions that may arise in connection with the program. They are:

- the Australian Government
- the community group that has become an incorporated association (the service)
- individual counsellors
- the individual members of the management committees of each service.

In delivering the program, the most likely cause of action is an action for negligence and, in particular, for negligent misstatement.

For the service, other sources of risk may include:

- employment issues such as discrimination, harassment, unfair dismissal and contractual liability in relation to contracts that it may enter into for supply of goods or services
- the ability to manage and supervise the counsellor's working hours and conditions has posed occupational health and safety risks, which are the management responsibility of the management committee. This was an issue that had caused friction between counsellors and management committees in a number of instances.

For a counsellor, other sources of risk may include:

- practice risks including fraud and failure to comply with the terms of his or her employment contract
- skill maintenance – for example, failure to maintain or obtain relevant qualifications or licences (for example, if a counsellor is involved in the provision of financial services as defined by the *Financial Services Reform Act 2001*). As the counsellors may not have any formal training, counsellors must ensure that they do not engage in activities for which formal training or qualification is required.

For management committee members other risks may include:

- failure by a management committee member to discharge duties under the relevant state or territory associations incorporated legislation
- personal liability for action that a member takes on behalf of the service – for example, provision of advice or a direction to the counsellor
- failure to oversee and manage risk to the public from the actions of an employee.

7.3 THE BARRIERS TO GOOD GOVERNANCE

Stakeholder submissions and consultations suggest that a number of factors may pose barriers to good governance and risk management.

7.3.1 Lack of clear goals and objectives

Governance tends to be driven by what a particular organisation sees as the primary reasons for its existence, and its interpretation of and focus on those issues. Lack of clarity about program goals and objectives is one of the most serious barriers to good governance, to consistency between services and to keeping the program focused on its core business.

The Rural Communities Program (RCP) – including the RFCS – was evaluated in 2000 (Aslin et al. 2000). One of the principal recommendations of that review was that a clear and specific goal statement be written for the RCP together with specific objectives for each program element. In particular:

- the RFCS should focus on agricultural and social adjustment rather than attempting to meet development or welfare objectives, and be responsive to changing circumstances for government-supported adjustment assistance
- any future goal statement and objectives should have specific reference to sustainability (social, economic and ecological), and sustainability issues should be given higher priority in the monitoring and evaluation framework as well as in the program guidelines and criteria for assessing applications.

In the individual funding agreements, the objective for the RFCS reflects this recommendation and is consistent with the goal of the Agriculture Advancing Australia package:

> The objective of the RCP is to contribute to the development of vibrant rural communities by improving access to information and services and encouraging community 'ownership' of service demands and delivery. The RFCS will contribute to these and the goal of a more competitive, sustainable and profitable rural Australia by:
>
> - Engaging and supporting community groups and industry in rural and remote areas to assist eligible enterprises with business decision making in relation to change and adjustment.
> - Supporting flexible financial counselling services in rural areas and industries with identified need.
> - Identifying enterprise and industry issues relating to change and adjustment and reporting statistical and other information to government.

The stated aims of the RFCS published in the resource manual (DAFF 2004c) describe the specific task of the RFCS, rather than its long-term goals for the sector:

- To provide a rural financial counselling service to primary producers, small rural businesses and fishing enterprises in rural areas who are experiencing financial hardship and have no alternative sources of financial assistance, and
- To provide a direct financial incentive for local self-help organisations/management committees, based in rural and regional Australia, to respond to the need for rural financial counselling through the employment of a suitably qualified rural financial counsellors.

While these broad goals and outcome statements provide some direction, the review committee considers that it is important to recommit the service to a primary role in supporting industry and enterprise adjustment for primary producers, small businesses and fishers. These objectives would also assist in the collection and reporting of management data.

7.3.2 Data and monitoring

One of the concerns that arose repeatedly during the consultation was a lack of performance information and qualitative data to measure the success or otherwise of the program in meeting the Australian Government goal of supporting industry and enterprise adjustment and contributing to the enhanced profitability, competitiveness and sustainability of the rural sector.

Improved data collection and reporting would assist in:

- generating robust, credible, quantitative and qualitative reports on the achievements of the program for government and for key stakeholders
- improve program targeting and the allocation of resources
- supporting individual services in planning for the future and directing service activities and priorities, and
- identifying issues for further investigation and management by RFCS management committees.

7.3.3 Monitoring and the 'confidentiality' of client files

Given the growing awareness about risk to management committees, a number of stakeholder submissions raised concerns about the balance between client confidentiality and improved accountability.

Many considered that client confidentiality was still an important principle within the small communities served by many rural financial counselling services, and many stakeholders did not believe that the service would retain clients if confidentiality were not assured. Sunraysia Rural Counselling Service stated that:

> our service does not support the Acumen Alliance recommendations that management committee members have access to client files because of potential commercial sensitivity where a farmer management committee member may become privy to other farmers' financial affairs.

Murray Valley Rural Industries Assistance Group suggested that client confidentiality was such an important principle that it should be protected with a 'rigid code of ethics'.

However, as discussed above, the review committee considers that management committees cannot effectively monitor risk and performance merely by keeping 'an ear to the ground'. Many contributing to the consultative process argued that, without professional supervision and monitoring of cases, it is difficult to determine whether counsellor practices are in line with service guidelines, and whether counsellors are achieving adjustment or acting in the long-term best interest of producers and their families. For example, some financial institutions felt that, in many cases, counsellors had engaged in a 'level of advocacy' that did not accord well with the actual circumstances of marginal farm enterprises 'when the most appropriate (but more difficult) pathway was to adjust out of agriculture'. However, as the Australian Institute of Agricultural Science and Technology in Victoria commented, 'as counsellors are not able to divulge client confidentiality, it is extremely difficult to substantiate this practice'.

A number of suggestions were made to address the issue of client confidentiality and monitoring:

- The Australian Institute of Agricultural Science and Technology in Victoria suggested that a summary spreadsheet should be provided to the management committee by the counsellor, setting out the new client (not identified by name or location) together with details including frequency of visits, the reason for contact, whether on or off farm, and a brief description of outcomes.

- The service in Moree operates a system along these lines, in which a written report is provided to the management committee each month by each counsellor, providing statistical information, an indication of the help being sought by clients and the action being taken to provide that help, 'while maintaining the confidentiality of the clients'.
- Employ an experienced counsellor from a non-adjoining region to undertake periodic external reviews, similar to a peer review process.
- Commission an external auditor such as those who provide quality assurance services.
- Engage the services of a professional from a kindred organisation such as a Centrelink Financial Information Services Officer familiar with issues of client confidentiality.

The most common model suggested a management committee structure that transcends the local community, thus reducing the risk of breaching confidentiality.

- The Richmond Valley Business and Rural Financial Counselling Service Inc. submission suggested that an overarching management committee overseeing 6–8 counsellors across a 'geographically proximate group of Services' could employ an executive officer to oversee day-to-day management and monitor counsellor performance. It was felt that this would overcome the problem of management committees accessing files for local clients. 'With the EO carrying out performance reviews, this would erase the fears of breaching confidentiality and the Privacy Act.'

7.3.4 Isolation and inconsistency

Because of the 'tyranny of distance' that affects most rural communities, as well as the diversity of local circumstances, there is a pronounced lack of consistency in the way the community organisations manage and deliver their RFCS. The members of many management committees live hundreds of kilometres away from each other and from the regional centre where the RFCS is based. This reduces the level of 'hands on' involvement of those management committee members.

Not only does this make it difficult for individual services to undertake governance of services, but distance also reduces the ability of different services, and of individual counsellors, to share resources, skills and experience. A number of counsellors indicated that there would be strong advantages in creating clusters of counselling services through which counsellors could gain professional support and feedback. This would be particularly valuable for new counsellors through their induction period.

The review committee acknowledges the important contribution made by state associations, such as Victorian and Tasmanian Association of Rural Counselling Groups (VTARCG), which provide opportunities throughout the year for counsellors and management committees to exchange ideas and develop skills. However, it considers that this sort of interaction would be more effective if it were continuous.

It would be important to balance any 'cluster' approach with local knowledge and ownership, which was seen as one of the program's core strengths. As one leading counsellor argued 'In remaining a community based service, the local management committee have far better insight into the local area issues and hotspots'. It was also important that services be seen as 'being independent of big business and direct government control' in a rural sector 'already sceptical and suspicious of government intervention programs'. Nevertheless, the cluster approach had been used in three or four areas in conjunction with local reference groups that provided local support and insight.

> While it recognises the arguments relating to local ownership and knowledge, the review committee considers that the 'cluster' approach outlined by the Richmond Valley Service would provide significant advantages over the current approach in which individual management committees and counsellors deal with governance and practice issues in isolation. Any new approach to the delivery of rural financial counselling should aim to incorporate the best of both worlds – local support and information, and a sharing of governance and professional development.

7.3.5 The need for prescribed skills and competencies

Training and recognised skill levels for counsellors have attracted particular attention in this review because of the implementation of new requirements under the FSRA, as described earlier in this chapter. For the RFCS to qualify even for exemption from the provisions of the Act, it will be necessary to ensure that in the future counsellors are:

- appropriately trained to carry out the service
- receive ongoing training and supervision through formal arrangements undertaken within the RFCS, or through membership of a relevant financial counselling association.

This is important not only as a way of meeting the licensing requirements of ASIC. The development of minimum qualification standards, prescribed skills and competencies, ongoing training and development and the benefits of membership of professional associations also enable better management of risk and compliance with a range of relevant legislative and regulatory requirements.

It may not be as difficult as might be imagined for counsellors to achieve an agreed standard of skilling. Although the 2003 Acumen Alliance audit of RFCS showed that rural financial counsellors may come from a variety of backgrounds with a variety of levels of formal qualifications and experience, the previous employment and qualifications of counsellors were often highly relevant to the job and included experience as bank managers, qualified accountants and individuals holding degrees in subjects such as applied science – agriculture. Overall, it was found that the backgrounds and skill sets of counsellors were appropriate for the role they were undertaking.

Formal recognition of counsellors' current competencies, and development of training plans to address skill gaps, will go a considerable way towards addressing the requirements of ASIC, will help to protect management committees against risk, and will give counsellors greater security of employment as the program evolves and resources are reallocated to new areas.

The review committee considers that, as a matter of urgency, all counsellors should be supported in undertaking a 'recognition of current competencies' that identifies the skills they already possess. This should be followed immediately by the development of a learning plan agreed between services and counsellors, in which a program of skill development will be undertaken over the next 12 months to address gaps in counsellor skills. In future, such a process should also be included in the selection and induction of new counsellors.

While the review committee considers that such a program of skill recognition and development may improve the standard and consistency of counselling delivery, the issue is not so easily addressed for management committees. It applauds the work of VTARCG and subsequently DAFF in implementing governance training to enhance the knowledge and skill of individual management committee members. It also recognises that training of this kind brings a benefit to the local community by enhancing the skills of leading individuals in the community. However, the review committee notes that it is in the nature of volunteer management committees that membership constantly changes and that there is thus a need for a continuing program of skill development.

In the light of the significant legal and financial risks faced by management committees, the review committee considers that it may not be practical to meet members' skill needs in this way. It may be more appropriate for the number of management entities to be significantly reduced, and for members of management bodies to be selected on the basis of existing skills and expertise.

7.4 SUMMARISING THE LESSONS OF GOOD GOVERNANCE

The review committee interviewed a wide variety of other organisations providing financial counselling to Australian families and businesses in financial difficulty. These organisations were mainly from the not-for-profit sector, although some examples of good practice were also found in state and Australian government financial counselling services. From these discussions, the review committee developed some insights into the 'lessons of good governance'.

7.4.1 'Good governance begins with good recruitment'

Key competencies

One of the most consistent messages from other providers was the need to ensure that counsellors have the right skills to do the job. Ideally, this would involve a standard minimum skill level. However, the review committee recognises that in some locations it may be impractical to insist on minimum skill levels at the time of recruitment.

Leading counsellors and experienced financial counselling agencies agree that there are three key qualities needed:

- an ability to communicate with people and to support their decision-making process
- financial analysis skills
- knowledge of the context – in this case, of rural industries.

It was widely agreed that the most important of these was the first – the ability to do the work of counselling. Financial analysis skills could be more fully developed through appropriate training, but the ability to relate effectively to the clients is a prerequisite for the job.

Recruitment and interview

The QDPIF includes a 'practical' session to determine how a counsellor approaches a client case study. It was also important to ensure that all checks are completed through the recruitment process – including police and referee checks. Services should be encouraged to include at least one outsider – a government or professional association representative for example – on the management committee to provide an additional perspective.

Establishing common standards for skilling and certification

Some providers have identified specific courses as appropriate preparation for the role of counselling. Anglicare in Tasmania is engaging in a 'national push to have professional standards' – to 'standardise it and make it a profession'. It was generally agreed that the Certificate IV level of training was appropriate for this work, with the Certificate IV in Community Mediation or the Diploma in Community Services in Financial Counselling suggested as appropriate courses. The Vocational Education and Training (VET) sector can play a role in creating and providing appropriate courses of training, and partnerships with industry were seen as a useful adjunct.

A practical approach was needed. As one provider commented: 'It is actually difficult to attract specifically qualified workers in these rural areas at low rates of pay. So we do training (for example, Community Services Certificate, or short courses in Adelaide) to build on the personal qualities that people already bring'. Although some basic training in emotional counselling was seen as desirable 'Most of what we do is not in-depth counselling or therapy'. Some providers saw the Lifeline telephone counsellor training as a sufficient base for rural financial counsellors, building on more in-depth skills in financial counselling.

Induction

The review committee was concerned to hear that it was common for counsellors to commence work without formal induction. While this had been addressed through the development of an induction manual (VTARCG 2004) by counsellors in Victoria, new counsellors need ongoing supervision and support. One provider had a graded degree of supervision, with new counsellors receiving the most regular attention and audit, and all provided an approach in which individual counsellors had the support of peers under a common supervisory framework.

Retaining good staff

A number of counsellors raised concerns at their lack of job security and the level of pay that many received while working in difficult areas. In fact, one counsellor noted that it was a testimony to counsellor's faith in the importance of the program 'that we are still here' in spite of these vicissitudes.

The review committee was concerned at the varied levels of remuneration received by counsellors, which did not seem to be linked to skill levels or other factors – raising questions of equity across the sector. Centrelink and the larger non-government providers of financial counselling have standard rates of pay: for Wesley Mission in NSW this was set at the Social & Community Services Award (Fed) NSW Grade 3, QLD Grade 4.

The review committee recommends that greater job satisfaction and security could be achieved by:

- establishing clear role expectations
- standardising the remuneration of counsellors
- increasing the skill and certification levels of counsellors
- encouraging government to make a longer-term funding commitment in exchange for better management and outcomes information.

7.4.2 'What gets measured gets managed' – the importance of effective monitoring and professional supervision

Other financial counselling providers were in agreement that close supervision and professional support are critical to risk management and good governance. A number of providers expressed concern at the devolved nature of the RFCS governance model in light of the complexity of supervision and liability issues in 2004. As one commented, 'It's a model from the 1970s that we have devolved all of this to small rural communities'.

One provider noted that supervision would be pointless without a willingness by the employer to take corrective action when needed. However, many services had expressed concerns about unfair dismissal, and some had sought the advice of professional human resources experts in managing difficult employee relationships fairly and appropriately. The important principles were:

- maintain close supervision of the staff member

- raise concerns early and document them regularly in formal discussions
- give the employee an opportunity to respond to warnings
- support staff members in changing practice to address concerns, including access to training where needed.

The problem of client confidentiality

None of the other providers who contributed to the review saw client confidentiality as a barrier to close supervision. In every case, clients were advised that the work of the counsellor may be discussed between the counsellor and the supervisor but that client information would remain confidential to the counselling service.

> 'Confidentiality exists between the agency and the client not between the client and the counsellor.'
>
> **Wesley Mission**

Some saw good records as essential to managing risk. 'You need to keep really accurate file notes in case someone files for bankruptcy and later wants to blame the counsellor', one person commented. There was general agreement by other providers that the owner of the clients' files was the agency; under the Privacy Act rules clients are informed that the file may be accessed by others, but information stays with the service for seven years before being destroyed.

Supervision and support

Other providers of financial counselling note that the following were key components of support for counselling delivery:

- monitoring, evaluation and review
- information and technical support
- supervision
- peer review and debriefing
- file auditing.

Anglicare in Tasmania provides supervision, one-on-one and at monthly state staff meetings, to ensure that counsellors are aware of changes to bankruptcy laws etc. Supervision by other service providers is undertaken at the regional level and includes:

- clinical supervision and debrief plus professional in-depth appraisal
- 'live management' of current cases
- case management that 'drills right down' through files and practices
- regular discussion of the case list, particularly of difficult cases.

There is no need for local management committee members to view client files or hear specific case details if supervision is conducted by a regional supervisor or by a fellow counsellor formally appointed to this role. In fact, one government provider of counselling services, the QDPIF, uses a system of senior counsellors who divide their time between client counselling and regular supervision and assessment of other counsellors. Many rural financial counsellors have expressed support for this approach, which allows:

- the supervisor to continue to be a practising counsellor and to keep abreast in skills and practice
- other counsellors to receive professional review (and opportunity for dialogue) from someone who understands practice issues.

A number of other counselling service providers used variations on this model. In general, the requirements for this to work effectively were that the supervising counsellor:

- must have done a supervisor's course
- must have been a counsellor for a number for years.

Linked to supervision is the use of good data to help with resource allocation and to monitor activity and outcomes against program objectives. All providers agreed that good records, clear objectives and benchmarks were critical.

> The review committee strongly recommends the introduction of formal and regular supervision of counsellor practice, including file auditing and reporting to management committees. This could be undertaken by a third party or a regional supervisor if management committees wish to maintain confidentiality at the local level.

7.4.3 Clear role expectations

Boundaries and referral protocols

A critical protocol is appropriate referral of clients. One practitioner in the not-for-profit sector says that a counsellor 'needs to be firm when clients want you to cross the line'; she will say 'you need to go back to your solicitor'. To avoid giving options she may give examples of how a particular option worked out in some instances. She is closely supervised and constantly checks her role.

A number of providers had formal protocols for establishing their role with clients, and this helped in clarifying roles with the counsellors themselves. Under the new system for Anglicare in Tasmania (based on approaches used by Creditline), clients will have a form that they sign off. There will also be a checklist for counsellors, of what they have gone through with the client and signed off. This kind of approach provides conformity streamlined across all counsellors. It places an emphasis on ISO9001 quality assurance and managing files from the beginning.

Protocols for time use: the 75/25 rule

Many rural financial counsellors and their management committees expressed concern in 2000 at the introduction of the '75/25' rule which required counsellors to focus more strongly on activities related to clients. The intention of the rule was to reduce the time that many counsellors were spending on community development and regional activities (often hold-overs from the program's previous role within the Rural Communities Program). However, the great majority found that the balance was achievable. Client-related activities include direct face-to-face counselling; travelling to and from a meeting with a client; working on a client's files; talking to others (such as financial institutions) about the client; debriefing from working with a client; and entering data and information about the client. In the remaining time (equivalent to one week a month) the counsellor might undertake general activities for the management of the service including publicity. Some activities, including training and travel to training, meeting government program managers, and leave, are not counted in the 75/25 rule.

Other service providers confirmed that this ratio of client-related and general tasks was normal practice. It was also noted that for every hour spent speaking to client, a minimum of two hours would normally be spent on a client's file and speaking to others about the client. A rural financial counsellor might deal with two or three clients a day in areas that did not require lengthy travel.

7.4.4 Responding to need

The review committee was concerned at the lack of responsiveness possible under the current model. 'With the RFCS, once a counsellor gets into a community they don't move', one stakeholder commented. The Queensland Department of Primary Industries and Fisheries advised that mobility is critical, as is the timing of support. For example, in providing support after floods and cyclones, farm financial counsellors are not deployed until two weeks after the event 'when resources need to be shifted'. Farm financial counsellors travel to places up to six to seven hours from their base and stay overnight to service these areas. Rural financial counsellors are less able to achieve this quick response to crisis.

7.4.5 Managing counselling projects

Scale of operation

Other service providers strongly supported a shift towards regional or state-wide management of financial counselling services. The ability of individual services to undertake effective standard-setting and supervision was questioned by other not-for-profit and government providers of financial counselling: it is more effective to 'get three or four workers in one place for delivery and it improves scrutiny and ethics'. One provider noted, 'Size makes it possible to have protocols and policies. Breaking the code usually occurs when a counsellor is isolated.'

At a state-wide scale of operation, it would be possible to employ a professional officer to undertake a range of supervisory and management tasks, which would also address issues of confidentiality at the local level.

Separating management from support roles

Currently, services are afraid that local knowledge will be lost if local management is discontinued, but the two roles should be thought about separately. Supervision and governance can occur at a regional or state level without losing local engagement if the state-level provider creates mechanisms for information exchange to tap into local knowledge.

Fundraising

Other providers of financial counselling agreed that finding the other half of the funding is 'an immense burden'. This was sometimes achieved through local and business sponsorship. The review committee considered that system support – for example at the state level – should be sought from key stakeholders such as the banking sector that benefit from the work that rural financial counsellors do with this client group. However, this was more difficult to achieve at the local level.

However, fee-for-service was not seen as an appropriate path to pursue, as it would 'blow the ASIC exemption' that had been granted to some providers of financial counselling services. Indeed, as one provider noted, 'it would seem contradictory to charge fees from people in difficulty'.

The review committee considers that a number of problems for the RFCS have stemmed from the requirement of small rural communities to source matching funding for services; it was particularly anomalous when the need for a financial counsellor arose from a significant financial downturn in the sector. In a number of cases, counsellors were charging fee-for-service for part of their working week, reducing the access to the service by those who were unable to pay. Low rates of pay in some services sometimes prompted counsellors to supplement their incomes in ways that involved conflict of interest – such as the provision of business or financial advice as consultants.

The requirement led to inequities between regions, frequently diverted the energies of management committees and counsellors from the main business of delivering rural counselling, and made the program less responsive to need arising in other areas.

The review committee recommends that the requirement for raising matching funds be discontinued, even if this results in some reduction in the number of counsellors that can be funded.

7.4.5 The role of professional associations and networks

As noted before, one of the benefits of professional associations is the opportunity for ongoing networking, the setting of professional codes of conduct and ethics, and skill development to ensure that counsellors adhere to and maintain currency. At the national or state level these associations can help set and assess standards that meet requirements such as those imposed by ASIC under the Financial Services Reform Act. Some service providers, such as the Wesley Mission, also provide online support for counsellors, providing technical and legal information to the counsellor and client as needed.

The review committee considers that any future delivery model should ensure that counsellors are members of, or eligible for membership of, a relevant professional association.

8 SUGGESTIONS FOR FUTURE GUIDELINES

Under the terms of reference, the review committee was asked to provide advice on future guidelines and to propose an application process meeting the assessed nature and level of need for provision of RFCS.

8.1 RECOMMENDED STRUCTURE

Five models were considered by the review committee against the criteria outlined below (the pros and cons of all five are tabulated in Appendix 22).

In considering its recommendations about guidelines for RFCS, the review committee took into account the features that were perceived as strengths of the current model, as well as ways to avoid its risks and inefficiencies. Therefore, in testing each model, the review committee posed the following questions:

1. Would the model deliver improved adjustment outcomes?
2. Would the model ensure a consistent quality of service – including in those locations/for those clients that are not well served by other service providers?
3. Would it minimise the risks associated with the current model?
4. Would it maintain the involvement and insights of the local community?
5. Would the program's resources be able to respond flexibly to changing need?
6. Would it be acceptable to the target client group?
7. Would it improve professional standards, support and opportunities for employees?
8. Would it be cost-effective?
9. Could it be implemented with minimum disruption?

The review committee ranked each question for each of the models considered against a Likert rating scale with the following ratings:

- 5 Meets the criteria extremely well
- 4 Meets criteria well
- 3 Neither meets the criteria well nor poorly
- 2 Meets the criteria poorly
- 1 Meets the criteria extremely poorly

Model 1 — Continuation of the current RFCS model

Description

Under the current decentralised model, individual communities write applications for grants; form autonomous volunteer management committees; raise matching funds from state government and local sources; find, employ and supervise counselling and administrative staff; and report activity data to the grant provider three times a year. An informal system of state associations has assisted by providing a forum for training, information sharing and debate, although participation in this process is optional. A national association also exists, but not all participating states are members.

1. Enhancing adjustment outcomes	Rating: 1

The review committee was unable to determine how effective the current program is in supporting adjustment, although this question was posed in almost all public consultations.

- The program's objectives refer to a series of activities or services that will be provided but the program lacks an overarching goal statement.

> If the current model were to be retained, a clear goal statement and objectives should be developed, identifying industry and farm adjustment as the primary goal of the program.

- A number of stakeholders provided anecdotal evidence of farm families that had been supported in the decision to leave the industry, and of others who had been supported in adjusting their business practices to return to profitability. However, there was no systematic measurement of adjustment outcomes. Because of continuing concerns about client confidentiality, management committees under the current model would be unable to measure the effectiveness of their service in achieving outcomes against goals and objectives relating to adjustment.

If the current model were to be retained, it is essential that it develop methodologies to allow benchmarking of performance against the program's adjustment goal.

Over the life of the RFCS program its contribution to community capacity-building has been recognised but this too has been found to be variable.

2. Consistent standards	Rating: 2

Under the current delivery model, broad guidelines are provided to services but governance is devolved to management committees and no systemic standards and protocols are available. The Victorian and Tasmanian Association of Rural Counselling Groups (VTARCG) is to be commended for its efforts (funded by the Victorian Government) to support counsellor induction, skill development and information sharing. However, participation in skill development and other standard-setting activities is optional and not consistent across states.

- The qualifications and experience of counsellors are highly variable (see Appendix 11).
- Protocols may be recommended by management committees, but because of continuing concerns about client confidentiality under the current model, management committees have demonstrated limited ability to supervise counsellor practices or to monitor counsellor performance.

3. Managing risk	Rating: 2

The current devolved approach to service delivery brings a number of risks to management committees, counsellors and clients.

- Individual communities – particularly those that are small or remote – may have difficulty in finding appropriately skilled volunteers to undertake complex governance responsibilities; supervision of counsellor activity is limited by concerns about confidentiality; and management committees may be inadequately protected by insurance where employees act outside prescribed activities.
- Counsellors do not have access to systematic skill development, professional feedback, debriefing and technical advice to support their role.

- Without good regulation and continuous skill development for counsellors, clients may not be certain of the currency of information, and there may be instances where advice is given contrary to service agreements.
- Australian and state government funders of the RFCS program could be joined in litigation through negligent or other action/s by management committees and counsellors.

4. Local ownership and involvement	Rating: 4

Local ownership is high for the current RFCS program and many submissions and presentations to the review committee emphasised its importance.

- Although many submissions described the overwhelming pressure of fundraising, service management and reporting, most agreed that local ownership brought strong acceptance of the service by clients, good networking, awareness of local needs and issues, and taking responsibility for the program helped build community capacity.
- It was also argued that loss of local ownership would see the loss of the local funding component. However, a number of stakeholders argued that the requirement for local funding is outdated and should be discontinued – 'communities can no longer be expected to contribute to this type of service', was one comment. Many saw it as paradoxical that those communities most in need of crisis and adjustment counselling were also those least able to find matching funding.
- The NSW Farmers' Association argued that the greatest difficulty was faced by small communities totally dependent on agriculture, and recent shire amalgamations in NSW had increased the difficulties faced by services in raising funds.
- The NFF expressed the view that community contribution is not appropriate in crisis times such as EC drought.
- The constant need to raise matching funds also contributed to volunteer burnout and distracted both the management committee and the counsellor from the core business of the counselling service.

Under 3.5.3, the review committee found that obtaining matching funding and the need for volunteer management committees to continue to raise these funds has placed continuing pressure on management committees, particularly during difficult times such as drought. While management committees have contributed many valuable hours in time and effort to fundraising in the past, investigations should be made into alternative funding measures for any future program model.

Unless the current model continues the review committee recommends that, in any future service, the compulsory requirement for community matching funding should be discontinued.

While all stakeholders valued local knowledge and support for the program, the review committee also noted the wide range of stakeholders who were concerned about the burden of increased governance and risk for local management committees. What is valued in theory is often hard to achieve in practice, and many communities were struggling to recruit and retain new management committee members particularly in remote areas.

5. Flexible response to need Rating: 2

While local ownership and funding are a perceived strength of the current model, they can also be a hindrance to the mobility of resources: a number of stakeholders testified that shires and local government bodies do not want to see resources move out of a local region after funding them.

- The review committee heard a number of examples of neighbouring services lending counsellor resources to help during short-term crises, providing a degree of flexibility on an informal basis. The Bogan Advisory Service noted that, due to the long history of the service, there was now a 'pool of ex-rural financial counsellors available to provide locum assistance'. Rural Support Tasmania was also able to draw on a locum following the recent death of a rural financial counsellor.
- However, climate events and downturns for a particular industry are likely to affect a number of neighbouring services within a region, and true flexibility may therefore require resources to move on a state or even nation-wide basis. The NSW Farmers' Association argued that 'the use of mobile or relief counsellors' should be considered when there is a short-term crisis, and there is a need for a more systematic approach to provision of locum rural financial counsellors to support counsellors facing burnout in stressful situations.
- The need for flexibility across boundaries was also raised. The Central West Rural Financial Counselling Service had accepted clients from outside its funded catchment area, and had benefited from the 'goodwill and flexibility of present arrangements and existing networks' with neighbouring services.

- Despite these informal arrangements, because of the autonomy of individual grant services, the current model does not provide a system-wide approach to resource sharing and it is not sufficiently responsive to 'hot spots' that emerge during industry or climate crisis. (One submission suggested that the more a counsellor worked with clients from outside the region, the more difficult it became to attract local funding support.) The South Australian Farmers' Federation (SAFF) called for a 'far more flexible service that is able to assist in hot spots – that is, EC declared areas – as need be'.
- Many RFCS resources are funded in 2004 in locations that were in high need in past years – during previous periods of drought or flood or industry downturn. The Queensland Department of Primary Industries and Fisheries argues that:

> Developing a financial counselling service model that is flexible in strategically relocating scarce resources from areas of low to high demand…should be a priority for the Commonwealth.

The review committee recommends that in any future service, a systematic approach to provision of relief or locum counsellors be adopted.

While arguments can be mounted that long-term allocation of counselling services to a specific location builds acceptance and local networks, mechanisms should be put in place to ensure that counselling resources remain available for rapid redeployment.

6. Acceptability to the target client group	Rating: 4

Although many RFCS management committees were concerned about risks to themselves in the present model, there is no doubt that the service is well accepted and highly regarded by those in the target client group, particularly those who have accessed the program. Although clients frequently suggested that 'the present arrangements work well and further bureaucratic interference may be detrimental', the review committee formed the view that clients were not fully cognisant of the real risks to volunteer management committees.

Features mentioned as attractive to the client group were that it was:

- free
- strongly linked to agricultural industries
- locally 'owned' and embedded in the local community

- not aligned to any government or welfare agency
- confidential
- discrete.

The willingness of many counsellors to make home visits was praised by some stakeholders. Bannockburn Quality Association in Inverell noted: 'We hope your review results in provision of adequate funding to enable valuable services such as on farm visits to be maintained'. This form of delivery is valued because it is confidential and it enables a larger number of farm enterprise stakeholders to join in. The Gippsland Farmers Support Group argued that on-farm visits and knowledge of the industry were two of the ways in which the RFCS was superior to other counselling services. Gunnedah Shire Council also noted that home visits may be particularly important during drought because declining income makes families less mobile and more isolated. However, many services have discontinued the practice as inefficient (or restrict home visits to the first consultation only). Some not-for-profit organisations also discourage home visits, citing safety reasons.

It is more difficult to ascertain how acceptable the service is to the full range of those in the target client group. Awareness of the service is high – 68% of those surveyed in the 2002 rural producer survey (SMR 2002) were aware of the service. Although only 15% of the total surveyed group had used the service, the proportion was higher (close to 40%) for those farmers who indicated that they were in severe financial difficulty – that debt was their biggest problem, or that they had difficulty 'just carrying on'. *Leaving the land* (Webb et al. 2002), the Rural Industries Research and Development Corporation's (RIRDC) study of NSW Western Division farm families in transition from farming, found that only 30 of 100 farm families who had left farming had used a rural financial counsellor. However, those who had used the RFCS reported that they were 'satisfied' to 'very satisfied' with the service.

A number of stakeholders suggested that the word 'counselling' might be a disincentive for the target client group because it is often associated with the welfare domain. Many services have chosen to adopt a different name to operate under, to avoid using the word 'counselling' and to emphasise the role of business adjustment.

> The review committee recommends that any future service be delivered under a heading other than 'counselling' and that continued efforts be made to promote the program amongst farming and fishing families and small rural businesses in the greatest need.

7. Professional support, standards and opportunities for employees | Rating: 1

Compared with other providers of financial counselling, the RFCS offers its employees the poorest level of professional and technical support. Across the 63 groups there are no consistent standards for counsellor qualifications, and many stakeholders feel that there is a lack of clarity about the counsellor's role. The NFF argued that:

> Many of the uncertainties, inconsistencies and performance issues that have faced individual counselling services, or the program more broadly, could be overcome through the provision of a defined duty statement for counsellors and through a greater emphasis on benchmarking between services.

The NFF and other stakeholders also emphasised the paramount importance of enabling counsellors to have sufficient time to build skills and networks. A number of submissions commented that counsellors were restricted from participating in training and professional development by the 75:25 rule, which requires counsellors to devote about 75% of their time to activities relating to clients. However, counsellor leave, attending meetings with DAFF, attending training and travel to training are all outside this formula and should not act as a disincentive.

The review committee felt that a more significant issue was the lack of performance standards and agreed levels for skills and qualifications. The shortfall had been addressed in some states – particularly Victoria and Tasmania – where active state associations had developed solid professional development programs for both counsellors and management committees. However, the decentralised nature of the current service has meant that there has been no systematic assessment of current skill levels for all counsellors.

The review committee recommends that, as soon as a model is known, all current counsellors should be funded to undergo an assessment of their current competencies in relation to an agreed benchmark (Certificate Level IV is recommended). Services should then develop a plan for overcoming any skill shortfalls in their employees.

Achieving a minimum standard of professional skills should be seen as part of a broader framework of professional support for counsellors. This should include up-to-date information, debriefing, technical support and peer review. The Queensland Department of Primary Industries and Fisheries states that:

> A professional financial counselling service is most effective in meeting primary producers' needs when it is supported by uniform role responsibilities, standards in service delivery, regionally based technical support and regular audit and performance monitoring linked to professional development.

However, it argues that the current delivery model for the RFCS 'does not have the processes and systems in place' to support rural financial counselling services in this way. Individual community management groups:

> …are unlikely to be equipped to provide high level guidance to financial counsellor employees. In these circumstances the RFCS community model in its current form does not appear to provide government with a good return on its investment in financial counselling.

Given the fragmentation of counsellor employment into 63 separate services, consideration should also be given to the management of occupational health and safety issues and career pathways for counsellors. The Sunraysia Rural Counselling Service is concerned that:

> There are no defined career pathways for rural financial counsellors as it is a specialised role and all are employed by individual management committees and there is little employment transferability.

This situation contributes to counsellor burnout and exacerbates the difficulties of attracting and retaining quality counsellors in the system.

The review committee recommends that a more systematic approach to counsellor employment will provide improved professional development, peer support and career mobility.

8. Cost effectiveness	Rating: 2

It is commonly argued that the current model is highly cost-effective because it attracts both community and state funding and in-kind support to supplement the funding available from the Australian Government. However, the QDPIF argues that the service cannot be regarded as 'cost-effective' for government when it does not deliver a service to agreed standards. Moreover, it is difficult to determine the cost-effectiveness of the service when there is little quantitative or qualitative evidence regarding the program's achievement in delivering adjustment (or other) outcomes.

Consideration must be given to the hidden cost in members' time and personal resources in 'free' volunteer management committees. A number of stakeholders pointed to an under-recognition of the value of management committee members' time in calculating in-kind contributions for matching funding requirements. At the same time, many noted that 'you can't spend an in-kind contribution' when you need cash for an electricity or vehicle bill.

The 'cost' of the program includes the impact of fundraising and governance activities on a limited pool of community volunteers who are already stretched over a number of other community roles. In most rural communities, volunteers must add significant travel time (and costs) to their contribution to the service. Finally, there is an unmeasured cost associated with the risks taken on by volunteer management committees without adequate skill, infrastructure, information or technical support.

9. Rapid implementation	Rating: 5

Extending the current program in its present form would involve no disruption. However, the review committee recommends that:

> The current program should not be continued beyond a transition period in its present form unless there are compelling or extraordinary circumstances and, if lead and set-up time is required for a new model, then not without the development of a number of common agreed protocols for service delivery and of minimum standards for counsellor skills and practices.

Model 2 — Common state-level management committee with an executive officer supported by local reference groups

Description

This model was the most often proposed by stakeholders, and is the model favoured by the review committee. In this model, governance responsibility is separated from local support for counselling services, but both elements remain important. A common management committee, assisted by a paid executive officer, manages a large number of counselling services with local reference groups providing information and support.

Three options for the level for operation of the management committee were considered:

National

- While national-level delivery would ensure the greatest resource mobility and standardisation of practice and evaluation, the review committee considers that delivery at a national level is too far removed from local community input, which is a valued component of the current model. The quality of local information would be diminished.
- Client acceptance/engagement with local counsellors may be reduced.
- It is likely to operate on too large a scale to be effective in closely managing its employees and other local issues.
- It is less likely to attract state funding or local management committee members and other contributions – leading to a reduction in the number of counsellors that could be employed.

State

- The review committee considered that this was the optimal level of operation for the model.
- It would enable selection of high-quality skill-based management committees.
- It is large enough to justify the cost of the professional management committee and executive officer, while small enough to allow close collaboration between the Australian Government and an individual state.
- There would be greater availability of skilled candidates for the management committee than at the level of a large region, and less potential for local conflict of interest.

- Confidentiality would be maintained through the use of an executive officer operating at the state level.
- While there is still potential for divergence of practice between states, there would be sufficient scale within a state to provide for resource mobility.
- This model would allow robust employer–employee relationships to be established, counsellor supervision, mentoring, audit and quality control and improved skills and professional development meeting Australian Securities and Investments Commission (ASIC) and Financial Services Reform Act (FSRA) requirements.
- Counsellor career options would be improved.

Large region

- The review committee considered that there was little advantage to conducting management of services on this scale: it does not improve enough on the current model.
- Compared with operation at the state level, there would be greater fragmentation of program delivery and protocols, and division would still occur over within-state boundaries.
- Goals of achieving consistent service and skilling standards would be more difficult to achieve.
- Assuring a sufficiently skilled pool of talent for the management committee would be more difficult than at the state level.
- There are no consistent or recognised regional structures within states or nationally.

Key elements of the proposed model:

Governance structure

- Funding for a whole state would be provided to a single management committee by the Australian Government, in partnership and conjunction with state government funding.
- The management committee would be an incorporated body under state or territory incorporated associations legislation, or incorporated under the Corporations Act 2001, either limited by shares or guarantee with appropriate directors' insurance cover.
- The management committee would comprise a mixture of dedicated positions and expertise, and all positions would receive remuneration. It is envisaged that the Australian Government would appoint a chair with recognised business acumen and a rural background, and both the Australian and state governments would be represented on the management committee. An additional 2–4 places would be filled by individuals bringing business management capacity, accounting and/or legal expertise and/or a background in social welfare.

Role of the management committee

The management committee would:

- be the direct employer of counsellors and administrative staff and would be responsible for the performance of staff (including the executive officer), including skill and performance standards and assessment
- ensure compliance with the FSRA and other regulations
- establish the method of assessing and responding to need, including the allocation of long-term and mobile resources in regions
- be responsible for managing Australian and state government funding and expenditure, and liaison with both levels of government about future funding need
- report and be accountable to the Australian and state governments and the local community.
- respond to appeals and grievances,
- offer two-way communication with local reference groups.

Role of the executive officer

- An executive officer would be employed by the management committee. Their roles would be: to implement counsellor training and skill assessment, supervise counsellors, provide technical and professional support and liaison; ensure 'cross pollination' to key networks; manage input from local management committees; collect data and report to the management committee on service performance and areas of emerging need; and draft the management committee's annual report.

Role of the local reference groups

- While 3.7.2 of this report outlined seven principles of reform, with a key requirement for any new RFCS model including devolution of management to rural communities (which was endorsed in community consultations in all states in 2001), the review committee considered reform of the current RFCS essential. The important role of the local management committee would be retained through the mechanism of a local reference groups to the management committee. The local reference group would be the management committee's 'eyes and ears' in the local region.
- It is suggested that local government be encouraged to provide the base from which local reference groups would operate, having both infrastructure coverage in local regions where counsellors are placed and jurisdictional powers under legislation within each state and territory to establish advisory groups.

- The local reference groups would provide on-ground support for a locally based or short-term counsellor, and would promote the service to the wider community.
- The local reference group would gather information on current conditions and on the level of need for service provision. It would liaise with the management committee through direct dialogue with the executive officer.
- The local reference group would be in an advisory role only and would not be required to raise funds or to take on governance roles that could attract financial or legal risk.

Role of the Australian and state governments

- Agreement on common service goals and objectives, performance criteria and benchmarks by the Primary Industries Ministerial Council (PIMC).
- A common database and infrastructure; advice and support.

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1. Enhancing adjustment outcomes	Rating: 4

The adjustment goals of the service would need to be established at the outset by the management committee, as directed by PIMC.

It is envisaged that management committee members would have strong rural and/or industry affiliation and would be able to respond in an informed way to intelligence from local reference groups about adjustment pressure in regions or industries.

Appropriate training, research and information would be provided to all counsellors in the state, relating to farmer adjustment and the outlook for the farm sector.

2. Consistent standards	Rating: 4

Clearly established adjustment goals and performance indicators for the RFCS program would be:

- established at the national level by PIMC
- linked to professional development for rural financial counsellors
- benchmarked and reported against by the executive officer
- tracked through appropriate software and reporting mechanisms provided by the Australian Government.

3. Managing risk	Rating: 4

The review committee recognises that the proposed model is not completely without risk, and that the single state-level management committee would be in a similar position with respect to liability as currently occurs with multiple local management committees. However, there would be a number of significant differences:

- the management committee would be selected on the base of recognised skills, and the Australian and state governments would be directly involved as management committee members
- the program would have clear national goals and agreed protocols enforced at the local level
- an executive officer would closely supervise counselling staff, audit records and monitor performance data
- if the review committee recommendation on training under Model 1 is accepted, all counsellors would have had a skill assessment in 2004–05 before the start of the new model, and would be on track to upgrade skills in areas of need before the end of the first year.

4. Local ownership and involvement	Rating: 3

Local input would be retained by ensuring a critical information and support role for the local reference group, as outlined above. Some stakeholders (particularly the WA Association of Rural Financial Counsellors) argued that real local engagement would diminish if the tough governance work were removed from local management committees. However, the review committee considers that the risks and burden carried by local volunteer management committees are now widely recognised to be unreasonable. The model proposed – local advice and state level governance – was the most widely accepted model discussed in face-to-face consultations and written submissions.

5. Flexible response to need	Rating: 4

The model would be highly responsive to need within a single state. The review committee recommends that decisions about how to identify and respond to need should be left to the individual management committee within the budget provided. However, it suggests that a mixture of longer-term and mobile counsellors would be effective and would cause least disruption to the service as it is currently known.

6. Acceptability to the target client group	Rating: 4

The review committee felt that the target client group would not be significantly affected by the change. While it would be a shift from what had been known at the management committee level, the service delivered on the ground would be essentially the same. It is likely that a large proportion of current counselling positions would remain in the same locations, while some resources would be deployed on a mobile basis to meet emerging need.

7. Professional support, standards and opportunities for employees	Rating: 4

One of the principal advantages of the proposed model is the establishment of a common service employing eight or more counsellors across a state. This enables the implementation of all the best staff support practices observed within the not-for-profit sector and Centrelink:

- collegial support and debriefing between counsellors
- opportunities for peer review and professional feedback on a regular, formal basis
- implementation of a training plan to meet assessed skill needs
- reduction in local conflict of interest
- a career structure with opportunities for mobility and relief during periods of pressure
- opportunity for state or national level infrastructure and support with information and technology.

8. Cost-effectiveness	Rating: 3

The model would be less likely to attract community cash or in-kind resourcing, and local community funding would need to be made up by the Australian and state governments, or the number of counsellors reduced. In addition, there would be increased costs for providing remuneration and secretariat support for a management committee in each state, and this may result in some reduction of funding available for employment of counsellors.

Offset against this, the counselling service would be delivered in a more focused way, delivering more effectively against agreed Australian and state government objectives. The cost to rural communities would be reduced, both in cash terms and in terms of the impact on rural communities of service management, governance risks and fundraising efforts.

The review committee recognises that any future RFCS will need to operate within the current appropriation funding levels. While it has not attempted to cost out the new models, including discontinuing the requirement for communities to raise matching contributions, the economies of scale, appropriate placement of counsellors to service need, productivity gains and removal of the need to provide the administrative support to service and maintain 68 management committees should offset the cost of engaging full-time executive officers and servicing state and territory management committees/boards.

The review committee suggested that an attempt should be made to outsource funding beyond the Australian and state governments. Support could be sought from the private sector – particularly from the finance sector – and this might occur most effectively at a state level.

9. Rapid implementation	Rating: 2

Start-up time would be significant because of the need to:

1. reach agreement between the Australian and state government about the level of funding to be borne by each under the new arrangements
2. establish agreed goals, objectives, performance indicators and benchmarks
3. advertise for and select management committee chairs and members
4. establish corporate and employment structure
5. select and train suitable staff
6. communicate program change and encourage the establishment of local reference groups
7. support existing local management committees through the wind-down phase.

Alternatively, current funding agreements could be extended for up to six months beyond the current funding agreements to 30 June 2005 to allow set-up and for transition.

Model 2, with a common state level management committee with an executive officer supported by local reference groups is the preferred model of the review committee.

Model 3 — Outsourced not-for-profit provider

Description

The review committee was impressed by the governance and staff development protocols employed by organisations already providing financial counselling in the not-for-profit sector and through the Queensland Department of Primary Industries and Fisheries. It considered that a strong case could be made for adopting a 'prospectus' approach to the delivery of counselling services, with funding being awarded to the service provider offering the best resourcing and governance outcomes within a state. Key features of such a approach are:

- a periodic application process would be held, with tenders called for provision of service within a single state for a specified price
- successful tenderers may include not-for-profit organisations or state governments where good governance protocols could be established and or demonstrated
- delivery of services would be supported by the establishment of local reference groups in locations where counsellors are deployed
- clear goals, delivery protocols and performance indicators would need to be agreed by PIMC and would be set out in the tender
- the provider would be responsible for staff supervision and support (including infrastructure, information and technical support) and for establishing and maintaining appropriate skill levels.

Incorporated, non-profit community organisations and local government community service organisations deliver the Australian Government's Commonwealth Financial Counselling Program (CFCP) through a competitive grant funding process. The objective of the CFCP is to provide access to quality financial counselling services, free of charge, to people in low-income groups and small business operators experiencing personal financial difficulties due to circumstances such as unemployment, sickness, credit over-commitment and family breakdown.

Examples of non-profit community organisations delivering financial counselling services include Anglicare, Uniting Care Wesley and Lifeline Community Care.

As part of the Sugar Industry Reform Program 2004, the CFCP provides quality financial counselling services, free of charge, to individuals and families in the sugar industry who are experiencing financial crisis. The CFCP also supports financial counselling services through the funding of resource workers who support the financial counsellors in their counselling activities.

Conditional licensing relief granted by ASIC generally requires that financial counsellors do not give advice to clients about purchasing investment products, no fees or charges are payable by the client for any aspect of the service, and financial counsellors are appropriately trained to carry out the service and are members or eligible for membership of a relevant financial counselling association.

1. Enhancing adjustment outcomes	Rating: 4

As with the preferred model (Model 2), the adjustment goals of the service would need to be established as a condition of the tender process, as directed by PIMC.

Compared with Model 2, it is less likely that the outsourced provider would currently have an in-depth understanding of rural industry adjustment issues. However, it is likely that a considerable proportion of the new counselling staff would be sourced from current RFCS counsellors.

2. Consistent standards	Rating: 4

One of the principal advantages of delivering the service through an existing provider of financial counselling is the existence of consistent, high-level governance protocols, including close staff supervision, training, file audits and debriefing.

3. Managing risk	Rating: 4

This model would offer the best risk management from the point of view of Australian and state governments and the local community. Existing providers already manage risk successfully and have won FSRA exemption from ASIC in recognition of their strong governance protocols, required skill levels and ongoing training for staff.

4. Local ownership and involvement — Rating: 2

Local ownership and involvement would be significantly reduced in this model, although all the not-for-profit organisations interviewed indicated a willingness to liaise with the local community.

A few stakeholders suggested that the model would be unlikely to win support at the local level. There was a perception that funds for primary producer support would be dissipated to other groups that may have a higher priority with the provider. The Rural Business Development Corporation (WA) noted:

> If the Commonwealth Government were to provide funds to a not-for-profit organisation, then if an area is experiencing financial hardship, most community people would not have the energy or resources to get out and write grants for everyone else in the community.

It would be a condition of funding that local reference groups be established in locations where counsellors are deployed, but there may be less than current support from rural communities to provide volunteers for these management committees.

5. Flexible response to need — Rating: 4

The model would be highly responsive to need within a single state. The review committee recommends that guidelines about the allocation of resources to specific client groups should be established through the tender process. It suggests that a mixture of longer-term and mobile counsellors would be effective and would cause least disruption to the service as it is currently delivered.

6. Acceptability to the target client group — Rating: 3

The not-for-profit organisations interviewed during the consultation process are highly regarded in the community and have a high volume of clients from their traditional client groups. However, this does not mean that they would be readily acceptable to primary producers. Some stakeholders were concerned that these organisations might be too closely associated with the welfare sector and that this would deter primary producers. In addition, one submission suggested that if the RFCS were operated by 'agripolitical groups, social welfare organisations or government agencies', clients might feel that confidentiality and independence would be jeopardised.

7. Professional support, standards and opportunities for employees	Rating: 4

As with Model 2, one of the principal advantages of the outsourced provider model is the establishment of a common service employing 80 or more counsellors across a state, accessing the following staff support practices already well-established within the existing not-for-profit service provider operation.

- collegial support and debriefing between counsellors
- opportunities for peer review and professional feedback on a regular, formal basis
- implementation of a training plan to meet assessed skill needs
- a career structure with opportunities for mobility and relief during periods of pressure
- established infrastructure and support with information and technology.

8. Cost effectiveness	Rating: 3

The model would be unlikely to attract community cash or in-kind resourcing, and would need to be made up by the Australian and state governments, or the number of counsellors reduced. Overheads for the provider organisation may mean some reduction in the number of counsellors.

Offset against this, the counselling service would be delivered in a more focused way, delivering more effectively against agreed Australian and state government objectives. The cost to rural communities would be reduced, both in cash terms and in terms of the impact on rural communities of service management, governance risks and fundraising efforts. Significant savings could be made through the reduction of Australian and state governments staff currently dedicated to managing service delivery.

> The review committee suggested that an attempt should be made to outsource funding beyond Australian and state governments. Not-for-profit organisations might be well placed to source additional funding from the private sector, but they may allocate a higher priority to other client groups served through their own fundraising.

9. Rapid implementation	Rating: 4

Start-up time would be less than for the preferred model (Model 2) because the agencies likely to be selected for delivery already have established governance structures and would probably be able to employ a significant proportion of the new counselling workforce from the ranks of existing RFCS counsellors.

However, there will still be significant lead-time because:

1. agreement would need to be reached between the Australian and state governments about the level of funding to be borne by each under the new arrangements
2. PIMC would still need to be involved in establishing agreed goals, objectives, performance indicators and benchmarks as a basis for tendering
3. time would be needed to develop tenders and select the most effective tenderer in each state
4. the new model would need to be communicated to existing service communities and time allowed for the wind-up of current management committees (support should be provided for services through the wind-down phase).

Again, this model could be expedited if announcement of the new model were to be made as early as possible and the new mechanisms were in place before the conclusion of the current funding period. This could include skill assessment and development of training plans for existing counsellors during the 2004–05 funding year (as recommended in Model 1), as existing counsellors are the most likely source of new employees under the outsourced model.

Current funding agreements could be extended for up to six months beyond the current funding agreements to 30 June 2005 to allow for set-up and transition.

Model 4 — Outsourced to single national government agency

Description

The review committee considered that this model was the most effective way to provide integrated decision-support across a wide range of locations. The only real contender for provision of this model would be Centrelink, which has the capacity to 'white brand'its delivery so that it is not apparent that it is a Centrelink service. The review committee was impressed with the governance and staff development protocols available through the agency. While the review committee recommends the model for serious consideration, it considers that even if the service was not branded as being delivered by Centrelink, it would be the least acceptable option for the target client group and rural communities used to the current model. However, it could be piloted as a means of delivering RFCS to prospective clients in the Northern Territory (particularly in the horticulture sector), where the RFCS has not previously operated.

Key features of this model are:

- financial counselling services would be provided on an outreach basis in rural locations (in many cases continuing existing service delivery in the short term)
- recruitment of staff could come from the ranks of existing counsellors, and counsellors/counselling offices would not be badged as Centrelink
- clear goals, delivery protocols and performance indicators would need to be agreed by PIMC and would be set out in the service funding agreement
- counselling staff would be trained and managed on a state basis within a national structure, and would develop knowledge and competencies relating to all Australian and state government programs delivered by Centrelink
- infrastructure and procedures for staff supervision and support are already in place.

This model:

1. Enhancing adjustment outcomes	Rating: 4

As with the preferred model (Model 2), the adjustment goals of the service would need to be established as a condition of the tender process, as directed by PIMC.

Compared with Model 2, it is less likely that the outsourced provider would currently have an in-depth understanding of rural industry adjustment issues. However, it is likely that a considerable proportion of the new counselling staff would be sourced from current RFCS counsellors.

2. Consistent standards	Rating: 4

One of the principal advantages of delivering the service through Centrelink is the existence of consistent, high-level governance protocols, including close staff supervision, training, file audits and debriefing.

Of all the models, this delivery model provides the most nationally consistent standards of delivery, and also provides excellent links to other government programs.

3. Managing risk	Rating: 4

Together with Model 3, this model would offer the best risk management from the point of view of Australian and state governments and the local community. Centrelink already manages risk successfully and has won FSRA exemption from the ASIC in recognition of its strong governance protocols, required skill levels and ongoing training for staff.

4. Local ownership and involvement	Rating: 1

While Centrelink is managed at a state and national level, its outreach delivery has included the use of local advice mechanisms: it has already worked closely with rural communities and agricultural industries to delivery outreach services from community centres and from industry offices (for example, Canegrowers in Queensland).

A few stakeholders suggested that the model would be unlikely to win support at the local level. It would be a condition of funding that local reference groups be established in locations where counsellors are deployed, but there may be less than current support from rural communities to provide volunteers for these groups.

5. Flexible response to need	Rating: 4

This model would provide the highest flexibility for response to need, because resource deployment would not be constrained by state boundaries.

6. Acceptability to the target client group	Rating: 2

Some submissions argued that rural clients would be suspicious of any service delivered by a government agency. 'At the very least, client perceptions of independence and confidentiality would be adversely affected', was one comment made.

Centrelink delivery was roundly rejected by many stakeholders because of its 'welfare sector' associations. However, the possibility of white branding the service (so that it was largely indistinguishable from the current service delivery) was not understood by those who made submissions to the review committee.

In many cases, farmer resistance to the agency is influenced by familiarity and by the method of delivery. The 2002 rural producers survey (SMR 2002) of 2500 farmers (spanning 14 industries and all socio-economic levels) showed that, in industries that had received outreach services from Centrelink (such as sugarcane growers and flood-affected farmers in NSW and Queensland), close to half agreed that 'I know I could rely on Centrelink to make sure I received exactly what I was entitled to'. Similarly, respondents who had used EC assistance were more likely to agree/strongly agree with this statement than respondents who had not used EC assistance (36% and 17%, respectively). Even for those respondents who either had not used Centrelink or did not know whether they had used Centrelink, 54% agreed/strongly agreed with the statement: 'If I was in financial difficulty or hardship, I would be willing to seek assistance from Centrelink'.

Given this information, and the possibility of outreach delivery and white branding, government would need to consider whether current client attitudes should be taken on board when in all other respects the model is the most effective way of delivering integrated information and decision-making support.

7. Professional support, standards and opportunities for employees — Rating: 4

Employment by Centrelink would provide the best support and career opportunities for counselling staff of any of the models. These would include:

- collegial support and debriefing between counsellors
- opportunities for peer review and professional feedback on a regular, formal basis
- implementation of a training plan to meet assessed skill needs
- career opportunities within a large national organisation
- established infrastructure and support with information and technology.

8. Cost-effectiveness — Rating: 2

The model would be unlikely to attract community cash or in-kind resourcing, and this would need to be made up by the Australian and state governments, or the number of counsellors reduced.

While some stakeholders have suggested that state governments would be unwilling to contribute funds to a Centrelink-delivered service, this needs to be tested. State governments already use Centrelink as a delivery vehicle for some state programs, and may be willing to continue to contribute funds (direct to Centrelink) providing a proportional level of resourcing was allocated to the primary producer target group in their state.

As with the outsourced provider model and the preferred model (Model 2), some government funds would be used for overheads including staff development and infrastructure. This may in itself mean some reduction in the number of counsellors.

Offset against this, the counselling service would be delivered in a more focused way, delivering more effectively against agreed Australian and state government objectives. As one review committee member noted, 'it would be a legitimate cost to government' as part of normal information and support to Australian families in need. Its welfare aspects would be integrated into the Australian Government's social welfare program for the nation.

The cost to rural communities would be reduced, both in cash terms and in terms of the impact on rural communities of service management, governance risks and fund raising efforts. Significant savings could be made through the reduction of Australian and state government staff currently dedicated to managing service delivery.

9. Rapid implementation	Rating: 3

Start-up time would be significant because of the need to:

1. reach agreement between the Australian and state governments about the level of funding to be borne by each under the new arrangements
2. establish agreed goals, objectives, performance indicators and benchmarks
3. agree on the funding agreement and service delivery
4. find and train suitable staff
5. communicate program change and support existing management committees through the wind-down phase.

Again, this model could be expedited if announcement of the new model were to be made as early as possible and the new mechanisms were in place before the conclusion of the current funding period. This could include skill assessment and development of training plans for existing counsellors during the 2004–05 funding year (as recommended in Model 1), as existing counsellors are the most likely source of new employees under the outsourced model. Current funding agreements could be extended for up to six months beyond the current funding agreements to 30 June 2005, to allow for set-up and transition.

Model 5 — No Rural Financial Counselling Service

Finally, the review committee considered whether the RFCS should be continued at all.

It examined a range of arguments to support this action:

- Provision of a specialist counselling service for primary producers duplicates services already provided by government and the not-for-profit sector.
- No similar service is provided to other industry sectors facing adjustment pressure, and it is government policy to move specialised service delivery in the direction of mainstreaming.
- To the extent that current services assist farm families to stay in farming where they might otherwise have left the industry, services may have a negative impact.
- All forms of government intervention distort the market and affect land values.
- A service that might delay a family's decision to leave until its debt/equity position and options have further declined is questionable.
- Removal of the existing service would provide an incentive for the private sector to fill the gap.
- The current effort and expenditure are not proportional to the outcomes, and there is no objective evidence that the current service makes a difference to adjustment outcomes.
- Significant savings could be made through the reduction of Australian and state government staff currently dedicated to managing RFCS delivery.

The review committee considered, nevertheless, that on balance there was a case for continuing the service, particularly if the delivery model is changed to one that reduces risk and cost to volunteers and government.

- There is a role for government in providing information and decision-support where Australian citizens are facing financial crisis and lack the skills and information to make informed choices.
- There are potential negative consequences from unmanaged industry adjustment, and concerns that the current program may have unintended negative consequences cannot be confirmed.

- It is accepted that the intimate relationship between the farm household and business makes adjustment decisions slower and more complex.
- Primary producers in remote locations do not have ready access to alternative service providers, and existing financial counsellors in the not-for-profit sector are already fully committed with existing clients.

Conclusion

The review committee concludes that:

- there is a case for continuing to provide financial information and decision-making support ('financial counselling') to farm and fishing families and small rural businesses in financial difficulty
- funding should be provided by government on a more reliable, ongoing basis to improve funding security, but the requirement for matching funding to be secured at the local level is an unrealistic burden due to the nature of the service to be provided, and should be discontinued
- the current devolved service management model is in urgent need of reform and restructure and should not continue beyond the end of the 2005
- management of the service should be separated from local advice and support, with management delivered at least on a whole-of-state basis
- delivery by an outsourced not-for-profit organisation or state models are equal in ranking, followed by Centrelink on a 'white branded' outreach basis is the next ranking model, but the outsourced models would not likely be acceptable at this stage to the client group or rural communities
- the review committee recommends delivery under Model 2, as outlined above, but suggests that the Centrelink model could be piloted in the Northern Territory where no service currently exists (if need is established and appropriate)
- ranking of models is as follows:

	Current model	State level management committee	Outsource to not-for-profit sector	Outsource to government agency	No RFCS
1. Enhancing adjustment outcomes	1	4	4	4	2
2. Consistent standards	2	4	4	4	NA
3. Managing risk	2	4	4	4	1
4. Local ownership and involvement	4	3	2	1	1
5. Flexible response to need	2	4	4	4	1
6. Acceptability to the target client group	4	4	3	2	1
7. Professional support, standards, etc for employees	1	4	4	4	NA
8. Cost effectiveness	2	3	3	2	No cost
9. Rapid implementation	5	2	4	3	Lead time needed

8.2 GOAL STATEMENT AND OBJECTIVES

In 7.3.1, the review committee recommended the development of a clear goal statement and objectives for the RFCS program, clearly linking them to the related AAA package strategic vision, and identifying industry and primary producers, small businesses and fisheries adjustment as the primary goal of the program.

It further recommended the development of a program logic map (PLM) identifying long-, immediate- and short-term outcomes and an agreed monitoring and evaluation strategy to provide a clear linkage between the RFCS program outcomes with the Australian Government's strategic goals and objectives.

Currently the RFCS retains part of the former Rural Communities Program (RCP) goals and objectives and the modified objectives from when the RFCS was separated from the RCP.

To better reflect and clarify the Australian Government's policy position and focus of the RFCS, the review committee recommends that the Australian Government may want to consider program objectives along the lines outlined below.

The RFCS program has been established to contribute to the Australian Government's long-term vision of:

- competitive, profitable and sustainable agricultural, small rural business and fishing business enterprises
- primary producers, small rural business and fishing enterprises that are self-reliant and are equipped to manage change and adjustment through access to and information from rural financial counselling services by those primary producers, small rural business and fishing enterprises suffering financial hardship and with no alternative sources of support, through the achievement of the RFCS program's objectives of:
  - providing ready access to free and independent rural financial counselling services
  - encouraging early contact and use of rural financial counselling services
  - increased awareness of the benefits of early intervention in accessing information and available services
  - enhanced capacity of eligible enterprises to consider information and options to effectively manage change and adjustment and make informed decisions.

Strategies to achieve the objectives include:

- provision of financial assistance for the identification and determination of need, planning, management and delivery of RFCS in each of the states and territories

- engagement of suitably qualified rural financial counsellors delivering flexible services to meet identified needs from time to time within each of the states and territories
- communicating awareness of the services and the benefits of early access and intervention
- identifying enterprise and industry issues relating to change and adjustment and reporting statistical and other information to government
- ongoing monitoring and evaluation of the program outcomes to ensure objectives are achieved.

> The review committee recommends that the Australian Government, in consultation and in partnership with the state and territory governments and other key stakeholders, develop clear goal statements, objectives, outcomes, strategies for the delivery of the program and agreed ongoing monitoring and evaluation requirements.

8.3 ESTABLISHING NEED: CRITERIA FOR ALLOCATION OF RESOURCES

The establishing of need for the allocation of resources, particularly to improve targeting and for the more efficient use of resources has been, as with previous reviews, an area that has been difficult to assess and determine. The review committee has relied mainly upon quantitative data and anecdotal information provided by service grant applicants.

Whilst anecdotal information can assist in providing insights into perceptions of the RFCS, the review committee is of the view that a more measured analysis of wide research and data is needed to evaluate the issues and concerns raised in audits, consultations and in case studies.

The application and interpretation of client confidentiality requirements by management committees has impeded ability to determine actual and real need.

The Acumen audit revealed that some services were undertaking activities that were contrary to the Australian Government funding agreements. Further, Acumen found that there were substantial weaknesses in RFCS financial and other record-keeping processes and procedures, and these weaknesses reduce the quality of information provided to the Australian Government.

Previous reviews consistently agreed that there was ongoing need for RFCS.

In the evaluation of the RCP in 2000 (Aslin et al. 2000), the need for '… establishing a more rigorous basis for assessing whether ongoing government support is needed in particular locations' was identified as part of the important role of monitoring and evaluation in program delivery.

In response to the 2000 evaluation, the then Minister for the Department, the Hon John Anderson, identified seven key principles for any new RFCS, two of which were the need for flexible needs-based counselling and the need to be responsive to changing circumstances and changing regional needs. The principles were endorsed in community consultations in all states in early 2001.

The 2002–03 review consultations on the AAA package (DAFF 2004b) also suggested that one of the issues that should be examined in relation to the RFCS was for an improved ability to allocate resources to emerging areas of need.

The review committee has found that continuing adjustment pressures indicate that there will be a long-term need for information and decision support by farm and fishing enterprises considering their future in the industry, and by small rural businesses dependent on these industries. There is also a need to identify at-risk enterprises earlier, before assets are eroded, and for rural financial counselling services to act as a 'front end' for other avenues of support or change.

To determine how effectively the RFCS program has 'met need' in the sector, the review committee determined that it would be important to determine the extent to which the program operates as a component of the government's welfare safety net for the sector, and the extent to which it builds the capacity of farm families to make informed decisions and to respond to challenge and change.

It also found that the 'institutionalised' nature of the RFCS has prevented the program, in some instances, responding to critical need, and that any new funding model should ensure greater mobility of resources in response to need.

From the ARC national database, average percentages of time spent by RFCS services on delivering key RFCS activities are as follows:

- assessment of current financial position and cash flow budgeting – 18%
- reviews of contracts with lending institutions, loan applications and communication with lenders – 23%
- information on government schemes – 21%
- information on Centrelink and other professional counselling services – 13%

- information to assist with family decision-making in relation to financial management – 2%
- adjustment out of agriculture – 2%.

Under the current RFCS model, applicants seeking grants are asked to provide the following information to assist with the assessment and to help determine the level of need:

- the need for funding – enterprises and industries in difficulty in the region
- special circumstances affecting service delivery
- why government funding is needed to provide the service.

Data and information sources suggested for enterprises and industries in difficulty in the region include:

- The numbers of primary producers in agriculture, fishing and small rural enterprises in the region overall and the proportion you consider to be in 'severe financial difficulty'.
- Any study that has been completed of the region or its industries, or the results of any relevant consultations.
- For current services: client numbers and trends from the service's client database, including:
  - numbers of enterprises previously serviced, trends in the number of new clients, and your estimate of the level of need for the service that now remains, and
  - changes in the nature of the reason for client assistance, or industries seeking assistance.
- Any changes in circumstances for the industries in your region that have placed new pressure on primary produces in agriculture, fishing and small rural enterprises.
- Any adverse circumstances, such as drought, that your region is facing and whether these adverse circumstances are likely to be long or short-term.

If available, information could be included on:

- changes to the estimated value of agricultural output in the region
- changes to the number of primary producers seeking off-farm work
- changes to average farm income for the region
- changes to levels of debt relative to equity.

Suggested sources of information:

- industry
- the DAFF website for rural financial counselling provides statistical information by region based on BRS and ABARE data

- client data held by existing services on the ARC database
- state agencies including rural assistance authorities
- local government associations
- banks and financial institutions, and other rural credit providers.

The current model also asks applicants to describe any special circumstances that may have an impact on service delivery. For example:

- where considerable distance needs to be travelled
- clients with language difficulties
- level of support and advisory services locally available
- other circumstances that impact on the cost efficiency of client service.

Further, as to why government funding is needed to provide the service, applicants are asked to outline:

- why government funding is necessary to achieve the service's outcomes
- the range of existing services in the region and whether the service's outcomes could be achieved by improved linkages to existing services.

Despite requiring an extensive list of suggestions for determining need to applicants, it is apparent to the review committee that a more rigorous method of data and information collection and validation needs to be developed.

The review committee recommends future delivery of the RFCS program by Model 2 'Common state-level management committee with executive officer supported by local reference groups'. The review committee further recommends that one of the functions and roles of the state management committee would be the establishment of the method of assessing and responding to need, including the allocation of long-term and mobile resources in regions.

It is the view of the review committee that the data and information suggested under the current application process model be retained and modified to suit any new model. The data and information should be applied more rigorously, with measured analysis of wider research and data being undertaken and assessed to determine placement of resources.

This wider research and data should include the development of ongoing needs analysis for both longer-term and mobile placement of rural financial counsellors and active seeking of intelligence for identifying structural adjustment hotspots.

At 7.4.2 of this report, the review committee strongly recommends the introduction of formal and regular supervision of counsellor practice, including file audit and reporting to management committees. This should provide better and more accurate data and information of need and activity currently undertaken where rural financial counsellors are placed.

As discussed at 4.5 of this report, the RFCS occupies a specialised role in dealing with farm-sector adjustment, as opposed to urban-based financial counsellors. In the formation of any new program model, the review committee has recommended that detailed mapping of government and non-government providers of financial counselling services in rural and regional Australia should be undertaken to more accurately determine duplication and overlapping of services.

As noted in 4.3.2, the review committee found that under the current model, short-term industry adjustment services provide flexibility for communities to meet a short-term or immediate need within a specific industry. Rural financial counsellors provide a coordinated service to producers within a particular industry or region by assisting with industry liaison and with group, as well as individual, service delivery. The review committee noted, that through the RFCS, this flexible delivery approach has assisted industries in need to achieve their aims. Any new funding model should retain this component of the RFCS program.

Future guidelines should include the issues and concerns raised in consultations and in case studies covered in the report.

8.4 ESTABLISHING MANAGEMENT CAPACITY: REQUIREMENTS FOR GOVERNANCE AND REPORTING

The requirements for governance and reporting will depend on which model is finally agreed upon.

However, as noted in 7.1.1 which deals with the FSRA and the ASIC issues, the review committee found the need for improvements in governance and reporting will need to be introduced, regardless of the model adopted, if the RFCS is to continue and meet the minimum FSRA requirements, whether for licensing, exception or relief from licensing.

The review committee also considers that the level of liability risk placed on volunteer members of management committees under the current arrangements is no longer acceptable, and the present governance arrangements with responsibility devolved to 68 individual employers is not appropriate for a program with such large inherent risks of legal liability. As corporate governance and risk-management requirements are likely to increase rather than diminish in future years, alternative management arrangements for the delivery of rural financial counselling are considered imperative.

The review committee is of the view that its preferred model provides (at the state level) a model that is manageable but gives enough scale to make reform possible.

In recognition of the arguments for local input and knowledge, the review committee has recommended that the governance, delivery, support and development be undertaken by an appropriate state-wide corporate structure supported by local reference groups where rural financial counsellors are placed for local support and information, aiming to achieve 'best of both worlds'.

At 8.2, the review committee recommends that the Australian Government, in consultation and in partnership with the state and territory governments and other key stakeholders, develop clear goal statements, objectives, outcomes, and strategies for the delivery of the program incorporating agreed ongoing monitoring and evaluation.

Throughout this report, the review committee recommends the need for clearer goals and outcome statements and for an improved and more rigorous monitoring and evaluation framework. Included in this are strategies for more targeted collection of information, and management and performance reporting.

The review committee believes that the future framework model also needs to address the various structural elements, including specific roles and functions of the delivery model such as:

- the strategic planning and management of the delivery model by the management committee or board
- the executive officer roles and responsibilities
- local reference groups roles, responsibilities and any limitations
- roles under each of the strategies to achieve program objectives such as:
  - the determination of need, planning, management and delivery
  - engagement and placement of rural financial counsellors
  - communication awareness and benefits of early access and intervention
  - identifying and reporting on enterprise and industry issues relating to change and adjustment
  - ongoing monitoring and evaluation.

The findings and recommendations for improved governance and reporting can be summarised as follows.

Program design:

- RFCS to recommit the service to a primary role in supporting industry and enterprise adjustment for primary producers, small businesses and fishers
- better integration with, and cross-referral to, other AAA programs
- partnership and funding arrangements be established with state and territory governments
- the requirement for community matching funding contributions to be discontinued
- establishment of local reference groups encouraging local government involvement in locations where rural financial counsellors are placed.

Governance structure:

- single management committee or board for each state or territory
- corporate body established limited by guarantee
- skills and expertise-based appointment of members to management committee or board.

Program delivery:

- rural financial counsellors to be focused on adjustment and, because not all client expectations can be fulfilled, there is a need for appropriate referral
- retain capacity for short-term crisis response
- communication of the benefits of early access and intervention, giving greater capacity to effectively manage change and adjustment by making informed decisions
- introduce mandatory standard of qualifications and prescribed skills and competencies for rural financial counsellors within the Australian Qualifications Framework
- rural financial counsellors to have a minimum entry level knowledge of social counselling
- a staff development and training focus upon social counselling (particularly the limits of capacity)
- a supervisory structure that ensures the health and well-being of RFCS staff and clients
- membership of appropriate professional association, and adherence to, a code of behaviour/conduct
- achieve greater job satisfaction and security for RFCS staff by establishing clear role expectations, standardising counsellor remuneration levels, increasing the skill and certification levels of counsellors
- the introduction of formal and regular supervision of rural financial counsellor practice, including file audit and reporting to management committees at least every six months
- all current counsellors undertake a Recognition of Current Competencies (RCC) and develop a formal learning plan for any skill gaps identified or development needed
- future selection and induction of new counsellors whereby counsellors undertake an RCC and develop a formal learning plan for any skill gaps identified or development needed
- client satisfaction surveys be conducted independently to eliminate bias.

Future guidelines should consider and take into account program structural elements, including specific roles and functions, design, governance and program delivery issues covered in the report.