



**Australian Government**  

---

**Department of Agriculture,  
Fisheries and Forestry**

**AGRICULTURE ADVANCING AUSTRALIA  
RURAL FINANCIAL COUNSELLING SERVICE PROGRAM**

**REPORT ON THE REVIEW OF THE  
RURAL FINANCIAL COUNSELLING  
SERVICE PROGRAM**

**REVIEW COMMITTEE 2004  
LED BY THE NATIONAL RURAL ADVISORY COUNCIL**

© Commonwealth of Australia 2006

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism or review. Selected passages, tables or diagrams may be reproduced for such purposes, provided acknowledgement of the source is included. Major extracts or the entire document may not be reproduced by any process without the written permission of:

The Executive Manager  
Rural Policy and Innovation Division  
Department of Agriculture, Fisheries and Forestry  
GPO Box 858, Canberra, ACT 2601

Editing and design by Clarus Design Pty Limited

## **AAA RURAL FINANCIAL COUNSELLING SERVICE REVIEW COMMITTEE**

Senator the Hon Richard Colbeck  
Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry  
Parliament House  
CANBERRA ACT 2600

Dear Senator Colbeck

The Review Committee has pleasure in presenting you with the final report of the Rural Financial Counselling Service Program Review.

We believe the report's findings and recommendations provide a basis for making some important changes and a way forward for delivering the important work of providing information and decision-making support to primary producers, (including fishers), and small rural business enterprises facing continuing adjustment pressures throughout Australia.

The Review Committee has undertaken extensive consultations having met with 148 stakeholders in face-to-face meetings held in all states and the Northern Territory and received some 86 written submissions.

Key findings by the Review Committee are that adjustment should be a primary focus for rural financial counsellors and any future program, and there is a continuing need for a Rural Financial Counselling Service.

The Review Committee considers the current devolved approach to the delivery of the Rural Financial Counselling Service Program brings a number of unreasonable risks to the members, counsellors and clients of the 68 rural community management committees.

Further, the increased need for improved governance and accountability to meet regulatory requirements and the burden on rural communities to raise matching funding has led us to recommend the need to change from the current model.

The common whole-of-state management committee model we recommend to you separates the more onerous governance and management responsibilities, provides the opportunity for more skilled and professional counsellors with greater flexibility in the placement of resources, retains local community advisory input, and makes possible real reform, which will be more readily accepted by the rural community.

The Review Committee believes that state, territory and local governments should play a more active and direct role, including funding for the services.

It is recognised that significant start up time may be needed to reach agreement and then develop and implement a new approach, which may require an extension of the current funding agreements. It is our view this should not be longer than six months from the current funding arrangements which end on 30 June 2005.

Along with any extension, we would urge you to consider our recommendation to have existing counsellors undergo a process of recognition of current competencies to identify current skills and any gaps, regardless of which model you ultimately decide upon.

The Review Committee appreciates the opportunity provided to undertake this important Review.

Yours sincerely



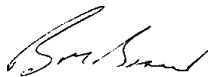
Wayne Cornish



Bill Anscombe



Rudi Cinc



Bruce Brown



John Woods

# CONTENTS

<b>Acknowledgments</b> .....	<b>9</b>
<b>Executive summary</b> .....	10
<b>1 Overview</b> .....	<b>18</b>
1.1 The Rural Financial Counselling Service Program review .....	18
1.2 The consultation process .....	19
<b>CONTEXT/BACKGROUND</b> .....	20
<b>2 The Australian Government and agricultural adjustment</b> .....	20
2.1 The rationale for government intervention in adjustment .....	20
2.2 The drivers of adjustment .....	21
2.3 The barriers to adjustment and negative impact of delayed adjustment .....	37
<b>3 The Rural Financial Counselling Service 1986–2004</b> .....	<b>42</b>
3.1 RFCS program rationale from 1986 and the changing context to 2004 .....	42
3.2 Relationship to other programs .....	45
3.3 Distribution .....	47
3.4 Client numbers .....	47
3.5 Delivery and funding model .....	47
3.6 Governance .....	50
3.7 Previous reviews of RFCS and previous reform measures .....	55
<b>ADDRESSING THE TERMS OF REFERENCE</b> .....	60
<b>4 What is the nature, distribution and magnitude of need for rural     financial counselling?</b> .....	60
4.1 Services sought by clients .....	60
4.2 Clarifying the program’s role in adjustment .....	62
4.3 Focusing on the target client group .....	64
4.4 The boundaries between social and financial counselling .....	67
4.5 Other providers of social and financial counselling and information .....	69

<b>5</b>	<b>How well has the current service met need?</b> .....	<b>70</b>
5.1	Awareness of the program .....	70
5.2	Anecdotal evidence .....	71
5.3	The availability and adequacy of current data and evaluation tools .....	73
5.4	Measuring the program's contribution to adjustment .....	80
5.5	Responding to changing need .....	80
<b>6</b>	<b>Anticipated need over the next three years</b> .....	<b>82</b>
6.1	Short and long-term pressures on the sector .....	82
6.2	The target group – non-viable and marginally viable farm enterprises .....	83
<b>7</b>	<b>Approaches to support improved governance</b> .....	<b>90</b>
7.1	Understanding the risks to the client, to the management committee, to the counsellor and to government .....	90
7.2	The sources of risk .....	97
7.3	The barriers to good governance .....	98
7.4	Summarising the lessons of good governance .....	104
<b>8</b>	<b>Suggestions for future guidelines</b> .....	<b>112</b>
8.1	Recommended structure .....	112
8.2	Goal statement and objectives .....	142
8.3	Establishing need: criteria for allocation of resources .....	143
8.4	Establishing management capacity: requirements for governance and reporting .....	148
	<b>APPENDICES</b> .....	<b>151</b>
	Appendix 1: Terms of reference for the review .....	152
	Appendix 2: Information paper .....	154
	Appendix 3: List of written submissions .....	164
	Appendix 4: List of public face-to-face consultations by state .....	169
	Appendix 5: Map of socio-economic disadvantage by region .....	174
	Appendix 6: Accountants and auditors, providers of financial information ...	176
	Appendix 7: Centrelink outlets .....	177
	Appendix 8: Location of current RFCS projects .....	178

Appendix 9: Funding agreement for RFCS Services, November 2002–June 2004 .....	183
Appendix 10: Funding agreement variation, July 2004–June 2005 .....	217
Appendix 11: Summary of the qualifications, experience and average salaries of rural financial counsellors .....	220
Appendix 12: The 2000 evaluation of the Rural Communities Program (RCP) .....	221
Appendix 13: Location of QDPIF farm financial counsellors .....	222
Appendix 14: Map of other financial counselling providers (government and not-for-profit) .....	223
Appendix 15: Survey by Solutions Research and Marketing 2002 .....	224
Appendix 16: Trends in Farm Help income support .....	225
Appendix 17: BRS maps (4) of the distribution of current Exceptional Circumstance grant recipients .....	229
Appendix 18: BRS maps (4) of regions affected by water access issues .....	232
Appendix 19: BRS map of the median age of farmers/farm managers by region, 2001 .....	236
Appendix 20: BRS map of change in the median age of farmers/farm managers by region, 1996–2001 .....	237
Appendix 21: Outline of the 2004 corporate governance and risk management workshops .....	238
Appendix 22: Summary of the pros and cons of the five model options for the RFCS program discussed in the review report .....	240
<b>Acronyms and abbreviations .....</b>	<b>253</b>
<b>References .....</b>	<b>255</b>
<b>List of figures</b>	
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. ....	23
Figure 2. Index of real prices of farm commodities (milk, wheat, wool and beef), 1980–81 to 2001–02: 1980–81 = 100. ....	26
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. ....	26

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 . . . . .	27
Figure 5. Average size (ha) of Australian commercial farms, 1960–61 to 2000–01 . . . . .	27
Figure 6. Australian wheat farming annual productivity growth and real wheat price movements . . . . .	28
Figure 7. Australian wool growing annual productivity growth and real wool price movements . . . . .	28
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) . . . . .	32
Figure 9. Farmer expectation (by state) of the impact on farm viability of the regulation of native vegetation and tree clearing. Source: SMR (2002) . . . . .	33
Figure 10. Expected impact (by industry type) of water reform on farm viability. Source: SMR (2002) . . . . .	35
Figure 11. Expected impact (by state) of water reform on farm viability. Source: SMR (2002) . . . . .	35
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) . . . . .	38
Figure 13. Death rates due to mental and behavioural disorders in 2001. Source: Australian Bureau of Statistics (2001) . . . . .	40
Figure 14. Suicide death rates (age standardised) in 2000. Source: Australian Bureau of Statistics (2001) . . . . .	40
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 . . . . .	41
Figure 16. Potential for early intervention, before ‘crisis’ point and assets and equity have been eroded. . . . .	86

### List of tables

Table 1. Number of years clients have used the RCFS . . . . .	73
Table 2. Type of assistance provided by RFCS counsellors in 2003–04, as recorded in the ARC database. . . . .	75
Table 3. Main causes of client difficulty recorded in the ARC database. . . . .	76
Table 4. Viability prospects of RFCS clients as recorded in the ARC database. . . . .	76
Table 5. Status of property sales by RFCS clients as recorded in the ARC database . . . . .	77
Table 6. Classification of businesses serviced by rural financial counsellors . . . . .	77



## ACKNOWLEDGMENTS

A review of this kind needs assistance and cooperation of a wide range of individuals and organisations if it is to be conducted effectively and have adequate input for consideration and deliberation. The review committee wishes to thank all those who made written submissions to the review or attended and participated in face-to-face consultations in all states and the Northern Territory. With the tight timelines for the review many people travelled long distances at short notice to make themselves available and to put their views forward.

The views, information and recommendations provided to the committee were extremely valuable, allowing it to make informed findings and recommendations.

The committee also wishes to acknowledge the support it received from the Secretariat provided by the Department of Agriculture, Fisheries and Forestry.

## EXECUTIVE SUMMARY

This report examines the efficiency, timeliness and suitability of the current administration, community management structures and delivery mechanism for the Rural Financial Counselling Service (RFCS) Program and suggests program guidelines and delivery mechanisms for 2005–08.

The first rural financial counselling services were established in 1986 during volatile and uncertain times with the deregulation of the finance industry and high interest rates. Rural financial counsellors met an identified gap in services offered to rural communities and farm families, providing a circuit breaker through free and independent assistance to primary producers, helping re-establish business confidence and trust through their direct assistance to primary producers, allowing them to make informed decisions.

In the current 2004–05 funding round, there are 68 community-based services, employing more than 80 full-time equivalent rural financial counsellors across Australia. The majority of current services have operated in the same location for up to 18 years. The RFCS program is funded under the Agriculture Advancing Australia (AAA) package, 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 primary objectives of the RFCS are:

- to provide free rural financial counselling services to assist primary producers, small rural businesses and fishing enterprises in rural areas, who are experiencing financial hardship and have no alternative sources of help with decision-making
- to identify enterprise and industry issues where change and adjustment are required
- to contribute to the goal of a more competitive, sustainable and profitable rural Australia.

The RFCS program was evaluated under the 2000 Evaluation of the Rural Communities Program (RCP), which found there was a need for RFCS to place greater focus on 'agricultural and social adjustment' rather than attempting to meet development or welfare objectives. Among other findings was the need for the RFCS to operate within a comprehensive performance monitoring and evaluation framework. Stakeholder consultations for the 2002–03 Review of the AAA package also suggested enhancing consistency in governance across the services and ensuring greater accountability and

certainty that services were operating within program guidelines. These consultations suggested the RFCS needed to improve adjustment outcomes for farm families in long-term financial difficulty. Better targeting of need was raised in the 2000 Evaluation of the RCP and in stakeholder consultations for the AAA Review.

In May 2003, ACUMEN Alliance Consulting commenced a national performance review and audit of a third of the RFCS. The overall findings of the audit were that a significant number of services were undertaking activities which were considered contrary to the funding agreements between the Australian government and RFCS. Among the key findings of the audit was that the level of corporate governance was below that required by the funding agreements.

In the May 2004 Commonwealth Budget, the Australian government announced a continuation of the AAA package until 30 June 2008 including, a further \$23.3 million for the RFCS program. At the same time it announced the RFCS program would be reviewed. A review committee was established under the auspices of the National Rural Advisory Council (NRAC) – an independent committee comprising primary producers and agribusiness professionals.

The review committee is of the view that due to continuing adjustment pressures in the farm sector, there will be a long-term need for information and decision-making 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. The review committee considers that farm families will seek support for decisions about their future options and that there is a role for rural financial counselling services in assisting primary producers adjust to changing circumstances through information delivery and referral to other support mechanisms.

Within the context of current and anticipated need for the RFCS in the future, the review committee considers that services have tended to become 'institutionalised' with the majority of the services remaining in the same location for up to 18 years. However, the intent of the program, from its inception, was to focus on critical need. Throughout the review, the committee found numerous examples of the requirement for additional rural financial counselling services to be located in areas to deal with sudden and specific workloads. However, the review committee also considered evidence of the long-term fixed nature of services. During the assessment of the 2002–04 application round, the RFC Advisory Panel recommended some amalgamations between neighbouring services due to overlapping, low client numbers and where organisations faced difficulty in obtaining sufficient community funding to support the service.

The review committee notes that, in the past, some services have worked together co-operatively to overcome increased client demand, with counsellors in areas of low client activity temporarily assisting services experiencing high demand for services. However, in other locations, services have struggled to cope with sudden increases in workload and the lack of available additional assistance. The review committee therefore recommends any new funding model should ensure greater mobility of resources to respond to critical need.

In its face-to-face consultations, the review committee was told of situations in which counsellors were asked or expected to perform roles that were of a purely social counselling nature. Given the core business of the RFCS is financial and the current qualifications of the RFCS staff are almost exclusively in the area of finances and not in psychology, sociology, social work or other human service areas, there is a potential for counsellors and management committees to exceed their professional competence and leave themselves, or their management committees, exposed to legal risk.

In determining the need for the RFCS, the review committee is of the view that, in many cases, client expectations of the counsellors in regard to the provision of emotional support, succession planning and assistance with family communication are contradictory to the activities counsellors are permitted to undertake under their funding agreements. The full suite of client expectations cannot be met by any one person and there is a need for the referral role of rural financial counsellors to be re-focused and emphasised. In considering any future service delivery model, the review committee recommends a minimum entry-level knowledge of social counselling and a staff development and training focus upon social counselling, particularly on the limits of counsellors' capacity to undertake a more complex social counselling role.

In the course of the review, the review committee examined the current funding mechanisms including the requirement for communities to raise matching funding. Many services have expressed difficulties in 2004–05 obtaining community cash contributions, largely due to the ongoing impacts of drought on community financial health. Rising costs of petrol, insurance and accommodation, are also impacting on the community's ability to match government funds. In recognising the commitment of volunteer management committees in the past to the requirement of matching funding, the review committee considered the impost placed upon management committees to raise these funds, particularly during difficult times such as drought. The review committee recommends investigations should be made into alternative funding measures for any future RFCS program model. The review committee notes that the Australian government committed funding in the May 2004 Budget of \$23.3 million for the RFCS program until 30 June 2008.

In considering the role of RFCS volunteer management committees in service delivery, the review committee drew on recent research, the relevant legislative and regulatory framework these management committees operate within, stakeholder submissions and current difficulties raised by volunteer management committees. The review committee notes the 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, and the potential risks for volunteer management committees under the current program model. The review committee considers continuation of a program of this nature through the mechanisms of volunteer governance is now an unreasonable expectation and should be discontinued.

However, in making its determination, the review committee recommends a strong role in any future program model for local advisory groups in providing locally grounded information and supporting a locally based counsellor. The review committee also notes the important contribution volunteer management committees have made to the RFCS program since its inception.

As part of the review committee's terms of reference, it considered the risks to the client, management committee, counsellor and government under the current program model. Of primary concern are the implications of the 2001 Financial services Reform Act (FSRA) for rural financial counselling, whereby the RFCS will need to be licensed or obtain an exemption from the Act because its activities are not covered by the Act, or seek relief from licensing. The review committee considers that under present RFCS program arrangements, in which governance is devolved to 68 separate volunteer management committees, it will not be possible to seek exemption from the FSRA for the RFCS as a whole. The review committee further considers that the current governance arrangements for the program 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. Any new delivery model for the RFCS should ensure that these conditions are met.

A key issue for consideration by the review committee was whether RFCS management committees are aware of the risks associated with professional indemnity and their organisation becoming the subject of litigation. The 2003 ACUMEN Alliance audits found that most services did not have business plans or risk assessments in place and identified corporate governance and risk management as areas of concern. During the review committee's consultations, it was apparent there was growing dissatisfaction amongst some RFCS management committees and state RFCS associations with the current model, due to the legal and financial risk imposed on volunteers. Often management committees

were struggling with fewer members and increasing workloads and responsibilities. Corporate governance of services was a major concern of all volunteers on management committees.

In considering the current risks to services, as well as the comments made by stakeholders, both written and at the face-to-face consultations, the review committee concludes:

- 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 inherent risks of legal liability
- as corporate governance and risk management requirements are likely to increase in future years, rather than diminish, alternative management arrangements for the delivery of rural financial counselling are considered imperative.

Under the terms of reference the review committee was asked to provide advice on future guidelines and proposed application processes to meet the assessed nature and level of need for provision of RFCS.

First and foremost, the review committee finds that there is a continuing need for a Rural Financial Counselling Service.

The review committee considered a number of alternative models. In considering its recommendations on guidelines for rural financial counselling services, 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.

In its assessment, the review committee finds that the level of 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, and 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'. Many saw it as ironic that those communities most in need of crisis and adjustment counselling were those least able to find matching funding.

The review committee considers the current devolved approach to service delivery under the current model brings a number of unreasonable risks to management committees, counsellors and clients and recommends the current RFCS program model should change.

Among the models considered by the review committee was an outsourced not-for-profit provider. A strong case can 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. Not-for-profit organisations interviewed during the consultation process were highly regarded in the community, however, some stakeholders were concerned these organisations might be too closely associated with the welfare sector and this would deter primary producers, fishers and small business operators.

However, the review committee considers this model offers the best risk management from the point of view of Australian and state governments and the local community. Several existing providers have already managed risk successfully and have won FSRA exemption from the Australian Securities and Investments Commission (ASIC) in recognition of their strong governance protocols, required skill levels and ongoing training for staff. This model presents the best alternative for timely implementation, as agencies likely to be selected for delivery have already established governance structures and will be likely to be able to employ a significant proportion of the new counselling workforce from the ranks of existing RFCS counsellors. The review committee recommends all existing RFCS counsellors undergo a Recognition of Current Competencies process and develop a formal learning plan for any skills gaps or development.

The outsourcing of the program to a single national government agency was considered the most effective way to provide joined up decision-support across a wide range of locations. A contender for provision of this model would be Centrelink, which has the capacity to 'white brand' its delivery and to deliver a high level of government and staff development protocols.

While Centrelink is managed at a state and national level, its outreach delivery has included the use of local advice mechanisms and it has already worked closely with rural communities and agricultural industries to deliver outreach services from community centres and from industry offices. The review committee recommends this model for serious consideration and, while noting recent research which pointed to a shift in primary producers' attitudes to Centrelink, also notes that during consultations some stakeholders suggested the model would be unlikely to win support at the local level. The review

committee recommends that this model, as well as the not-for-profit model, should incorporate a condition of funding that local reference groups are established in locations where counsellors are deployed.

The model most favoured by the review committee and that would be most accepted by the client group, is a model incorporating a common state-level management committee with an executive officer. This model is also the most common to be proposed by stakeholders in the Review's consultations. 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 – there would be greater availability of skilled candidates for the management committee than at the regional level and less potential for local conflict of interest
- client 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 and make reform possible.

In the state level management committee model, local reference groups would be retained 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, but would provide information on current conditions and on the level of need for service provision. However, the review committee acknowledges the model may be unlikely to attract community cash or in-kind resourcing, and local community funding would need to be made up by the Australian and state Governments.

Local government should be encouraged to provide a base from which local reference groups would operate, having both infrastructure coverage in local regions where counsellors are placed and jurisdictional powers under local government legislation in each state and territory to establish local advisory groups.

The review committee considers that cost savings in this model may be gained through the devolution of existing administrative structures of services. The review committee recommends further investigations into outsourcing funding beyond Australian and state governments. Support could be sought from the private sector or in-kind contributions from communities that are successful in their applications for rural financial counselling services.



The review committee also notes the start-up time for this model will be significant due to the need to reach agreement between the Australian and state governments regarding the level of funding to be borne by each under the new arrangements and the process required to implement the proposed framework and structure of this model.

While delivery by an outsourced not-for-profit organisation, followed by Centrelink on a 'white branded' outreach basis may be the best models, it would not likely be acceptable at this stage to the client group or rural communities. The review committee recommends delivery under the state level management committee model, supported by local reference groups.