



Australian Government

**Department of Agriculture,
Fisheries and Forestry**

AGRICULTURE ADVANCING AUSTRALIA
RURAL FINANCIAL COUNSELLING
SERVICE PROGRAM

The Way Forward

Review of the Rural Financial Counselling
Service Program





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FOREWORD

The Rural Financial Counselling Service (RFCS) Program began in 1986 and is now part of the Australian Government's *Agriculture Advancing Australia* (AAA) initiative. The RFCS Program provides free financial counselling assistance to primary producers, fishers and small rural businesses that are experiencing financial hardship and do not have access to alternative sources of financial counselling.

The Program's aim is to support adjustment and development in rural and regional Australia by assisting clients with relevant information to assist their business decision making. Ongoing adjustment pressures in the rural sector highlight the need for the Program to continue into the future.

The pressure from declining terms of trade, the increasing cost of capital, market changes, reduced access to resources (including water), climate change and increasing land values, will continue to drive rural adjustment. Consequently, for some businesses in rural and regional Australia there will be a continuing need to consider future options, either inside or outside of their current industry.

Recognising these pressures the Australian Government reconfirmed its commitment to the RFCS Program by providing a further \$23.3 million in the May 2004 Budget over four years to 30 June 2008. At the same time the Government announced there would be a review of "the performance of the Rural Financial Counselling Services across Australia with a view to determining the efficiency, timeliness and suitability of current administrative and community management structures and delivery mechanisms".

On 10 August 2004 the former Parliamentary Secretary, Senator the Hon Judith Troeth, asked the National Rural Advisory Council (NRAC) to lead this review of the RFCS Program. The Review Committee members included NRAC Chairman Mr Wayne Cornish as chair, Mr Bill Anscombe, a senior lecturer in Human Services and Social Work at Charles Sturt University and Mr Rudi Cinc, the then National President of the National Association of Australian Rural Counselling Services. NRAC members Mr John Woods and Mr Bruce Brown also assisted the Review Committee with their specialist business and financial expertise and participated in the State visits and the review process.

The Review Committee wrote to key stakeholders across Australia inviting face-to-face consultation with the Committee. Some 148 stakeholders were consulted in face-to-face meetings which were held in all States and the Northern Territory during September 2004. Letters were also sent to stakeholders inviting written submissions and 86 written submissions were received.

During the Review, the Committee sought specific feedback on the nature, distribution and magnitude of the need for RFCS, how well the current service has met this need and the anticipated need over the next three years. The Committee also examined approaches to support improved governance of rural financial counselling services and suggestions for future guidelines and application processes.

The Review Committee also took account of previous reviews and performance audit findings on the RFCS Program's effectiveness. On 7 December 2004 NRAC endorsed the Review Report which Mr Cornish submitted to me on 13 December 2004.

The Australian Government endorses the key recommendations from the Review. Specifically, the Review found there is an ongoing need for an RFCS across Australia, however it concluded the model for delivery of the current RFCS Program needs to be reformed to better meet the needs of primary producers, fishers and small rural businesses. It also found that the current devolved approach to service delivery brings a number of unreasonable risks to RFCS management committees, counsellors and clients.

The Review confirmed that rural community volunteers have brought an inestimable value to the operation of these services since 1986. However, the Review also found that due to the changing operating environment and the increasing risks to volunteers, continuation of a program of this nature through the mechanisms of volunteer governance is now an unreasonable expectation and should be discontinued.

The Review has also recognised the valuable role of the RFCS assisting rural enterprises and families in difficult times such as drought. It found the program needs to be focussed on the primary task of assisting primary producers, fishers and small rural businesses to manage the challenges of change and adjustment.

In considering the Review's findings, including its suggestions of other methods of delivery, the Australian Government wishes to work with State and Territory Governments in exploring a range of options for a number of possible program delivery arrangements. The intention is to develop and implement improved RFCS Program delivery arrangements, incorporating key principles flowing from the Review, including:

- The corporate governance and administrative burden on volunteer management committees should be alleviated, while maintaining the vital advisory role of local volunteer reference groups.
- The governance arrangements for the RFCS Program should provide sufficient consistency of delivery, supervision and skill standards, including ongoing professional development.

- There should be a focus on ensuring mobility of resources and avoiding becoming unnecessarily 'institutionalised'.
- State, Territory and local governments should play a more active and direct role.
- Alternative funding arrangements for the program should be investigated.
- Duplication of financial counselling services in rural and regional Australia should be avoided.

At the Primary Industries Ministerial Council meeting held in Darwin on 14 April 2005, Ministers committed to the consideration of possible arrangements for the future provision of rural financial counselling services across Australia.

This publication provides the Review Committee's terms of reference and the executive summary from the Review Report. It also sets out the aims, objectives and outcomes for the RFCS Program in the future, and presents the key principles flowing from the Review.

Over the coming months, the Australian Government will be engaging key stakeholders in discussions covering a range of options for improved program arrangements, to ensure that an enhanced RFCS Program is developed and implemented in the most effective and efficient manner.

As part of the Australian Government's commitment to improve the delivery arrangements for the RFCS Program, I have agreed with the Review recommendation that existing counsellors should be supported to undergo a recognition of current competencies process, as a further professional development activity.

The Australian Government is committed to working cooperatively with all stakeholders to ensure delivery of the best possible rural financial counselling service to rural and regional Australia.

The Government acknowledges the work and effort of the Review Committee in preparing the Review report, and the valuable contribution from those who provided input into the Review of the RFCS Program.



Senator the Hon Richard Colbeck
Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry
May 2005

TABLE OF CONTENTS

REVIEW OF THE RURAL FINANCIAL COUNSELLING SERVICE PROGRAM

Terms of Reference	[6]
Executive Summary	[7]

THE ENHANCED RURAL FINANCIAL COUNSELLING SERVICE PROGRAM

Introduction	[15]
Aims and Objectives	[15]
Program Outcomes	[16]
Key Principles Flowing From the Review Report	[16]

REVIEW OF THE RURAL FINANCIAL COUNSELLING SERVICE PROGRAM

TERMS OF REFERENCE

This Review of the Rural Financial Counselling Service Program will examine 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. It should provide advice on the following five matters:

- The nature, distribution and magnitude of need for rural financial counselling services;
- How well the current service has met this need;
- Anticipated need over the next three years;
- Approaches to support improved governance of Services; and
- Suggestions for future guidelines and proposed application process meeting the assessed nature and level of need for provision of service.

The Review of these objectives may take account of:

- Service delivery mechanisms;
- Service distribution and links;
- Community equity issues including ability to support matched contributions and receive service;
- Funding allocation criteria and program guidelines;
- Service structures;
- Availability of alternative service providers;
- The need for short-term versus long term service provision;
- Success of the Program in improving self reliance;
- Options for provision of regionally-based or issue-related service delivery; and
- Identification of need and regions requiring priority support.

The Review may consider also the services required by clients including:

- The level and type of service provided;
- Availability of 'financial counselling' providers;
- Benchmarking of cost and delivery of services over a variety of demographic and geographic scenarios;
- Mechanisms for assessing clients' ability to pay;
- Structures for program delivery.

Supporting Structures

Supporting data and secretariat functions will be provided, as far as is possible, by the Department of Agriculture, Fisheries and Forestry, through its NRAC Secretariat and the Rural Financial Counselling Service Program.

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 Services Program and suggests program guidelines and delivery mechanisms for 2005-08.

The first Rural Financial Counselling Services (RFCS) 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 RFCS 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 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; and
- 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 greater accountability and certainty

* Full Extract from the Report on Review of Rural Financial Counselling Service Program

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 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 Agreement 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 Federal 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 rural small 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 is not able to 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, the Review Committee 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 Service 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 less 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; and
- 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 Rural Financial Counselling Service program and many submissions and presentations to the Review Committee emphasised its importance.

Although many submissions described the overwhelming pressure of fundraising, project 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”. 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 Investment Commission 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 projects, however 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; and
- 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, however, 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 RFCS Review Committee recommends delivery under the State-level Management Committee model, supported by Local Reference Groups.

THE ENHANCED RURAL FINANCIAL COUNSELLING SERVICE PROGRAM

INTRODUCTION

The Australian Government, in cooperation with the State and Territory Governments, will work to develop improved RFCS Program delivery arrangements consistent with the principles that flow from the Review Report and, drawing upon recommendations, key points and options presented by the Review Committee, will consider the processes needed to best deliver and operate the RFCS Program in the future.

AIMS AND OBJECTIVES

The Australian Government is committed to a long term vision of self-reliant, profitable, competitive and sustainable agricultural, food, fisheries and forestry industries. The RFCS Program has been established with the primary role of supporting primary producers, fishers and small rural business enterprises to manage the challenges of industry change and adjustment by the achievement of the program's objectives of:

- ensuring those enterprises suffering financial hardship and with no alternative sources of impartial support have access to financial information, options, decision support and referral services;
- enhancing the capacity of enterprises to consider information and options to implement their decisions to effectively manage change and adjustment;
- encouraging early contact and use of rural financial information services to promote awareness of the benefits of early intervention in accessing information and available services; and
- providing a needs-based financial information and referral service which is free, effective, responsive and flexible.

To support the achievement of the RFCS Program objectives the Australian Government will work with State and Territory Governments to enable:

- identification and determination of need for and placement of services and for planning, management and delivery of RFCS in each of the States and Territories;
- engagement of resources to deliver a rural financial counselling service;
- communication about the RFCS;
- ongoing needs analysis to identify enterprise and industry issues relating to change and adjustment; and
- ongoing monitoring and evaluation to ensure objectives are achieved.

PROGRAM OUTCOMES

The expected outcomes of the enhanced RFCS Program are:

- enhanced self reliance, profitability, competitiveness and sustainability of primary producers and small rural businesses;
- rural and fishing enterprises effectively managing adjustment and change;
- increased adoption of best practice approaches by clients of the RFCS; and
- best practice approaches to governance, accountability and risk management achieved by those delivering the RFCS Program.

KEY PRINCIPLES FLOWING FROM THE REVIEW REPORT

In considering the Review's findings, including its suggestions of other methods of delivery, the Australian Government wishes to work with State and Territory Governments in exploring a range of options for a number of possible program delivery arrangements. The intention is to develop and implement improved RFCS Program delivery arrangements, incorporating key principles flowing from the Review, including:

- The corporate governance and administrative burden on volunteer management committees should be alleviated, while maintaining the vital advisory role of local volunteer reference groups.
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- There should be a focus on ensuring mobility of resources, and avoiding becoming unnecessarily 'institutionalised'.
- State, Territory and local governments should play a more active and direct role.
- Alternative funding arrangements for the program should be investigated.
- Duplication of financial counselling services in rural and regional Australia should be avoided.



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