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Farm Household Support Amendment Bill 2003

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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No. 49 2003–04

Farm Household Support Amendment Bill 2003

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Farm Household Support Amendment Bill 2003

Date Introduced: 17 September 2003

House: House of Representatives

Portfolio: Agriculture, Fisheries and Forestry

Commencement: Most provisions will come into effect on Royal Assent. Two minor technical amendments commence retrospectively at the time when the *Farm Household Support Amendment Act 2000* commenced (that is, 18 December 2000).

Purpose

To amend the *Farm Household Support Act 1992* in order to:

- extend the closing date for applications for Farm Help income support from 30 November 2003 to 30 June 2004 and the deadline for Farm Help income support payments from 30 November 2004 to 30 June 2005
- extend the requirement to develop an Activity Plan to all applicants for Farm Help income support
- change the requirement for applicants for Farm Help to provide a certificate of inability to obtain finance so that only one certificate is needed, and
- amalgamate the Professional Advice and Re-training grants into a single grant.

Background

Farm Help is the successor program to the Farm Family Restart Scheme which commenced in 1997 as part of the Government's integrated rural policy package entitled Agriculture – Advancing Australia (AAA). Farm Help is available to farmers who are experiencing severe financial difficulty and cannot borrow further against their assets. It provides a safety net for those farmers who need to reassess their options and perhaps find a new future outside farming.

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The key features of Farm Help are:

- fortnightly income support paid at the same rate as Newstart Allowance for up to twelve months
- up to \$3300 to obtain professional advice on the future viability of the farming business, and career counselling where appropriate
- recipients whose farm is assessed as not viable have to develop an activity plan directed towards either returning the farm to a viable position or securing alternative employment
- access to a re-establishment grant of up to \$45 000 on the sale of the farm, and
- a re-training grant of up to \$3500 is available to re-establishment grant recipients and/or their partner, to help prepare for a career off the farm.

The Minister for Agriculture, Fisheries and Forestry announced on 13 May 2003, in the context of the Budget, that the closing date for Farm Help applications would be extended by seven months, to 30 June 2004.¹ Since income support may be paid for a period of 12 months, this Bill also extends the farm help income support closing date to 30 June 2005. The Minister said that the reason for the extension of the scheme is to facilitate transition to any new arrangements to be considered in the context of the 2004 Budget.²

Farm Help Statistics

Support provided by Farm Help, July 2000 – February 2003

Component	Number of customers and amounts
Income support	3616 customers received \$37.4 million in payments
Professional advice grants	3354 customers received \$5.8 million in grants
Re-establishment grants	454 customers received \$17.1 million in grants
Re-training grants	68 customers received \$100 000 in grants

Source: Australian National Audit Office, *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package*, Canberra, 2003, p. 52.

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Budget Outlays on Farm Help, July 1997 – June 2004

1997-98 \$'000	1998-99 \$'000	1999-2000 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000 (est)	2003-04 \$'000 (est)
22 000	34 000	35 000	16 200	25 800	28 795	24 875

Source: Agriculture, Fisheries and Forestry – Australia, *Portfolio Budget Statements* and *Portfolio Additional Estimates Statements*.

The cost of Farm Help from July 2000 to June 2004 is estimated to be \$114.5 million.³

Reviews of Farm Help**Evaluation by South Australian Centre for Economic Studies**

In June 2002 the South Australian Centre for Economic Studies⁴ submitted an evaluation of the Farm Help program to Agriculture, Fisheries and Forestry – Australia (AFFA).⁵ The evaluation concentrated on the assistance provided to farmers who are making the difficult transition from farm life to alternative employment off the farm. According to the evaluation, the proportion of Farm Help recipients who leave their farms and access the re-establishment grant had increased from 6.9 per cent in May 1999 to 10.5 per cent in June 2002.⁶

A number of the evaluation's recommendations are picked up by this Bill. In particular, the evaluation recommended that scope for training be incorporated under the professional advice component, especially for income support farmers, where training would better suit the individual circumstances.⁷ In addition, according to the evaluation, many recipients identified a problem with the re-training grant that can only be accessed after the farmer leaves the farm. They reported that often there is a need for re-training before the farmer exits the farm.⁸ Amendments proposed by this Bill will amalgamate the professional advice grant and the re-training grant and will allow funds for training to be accessed earlier.

Review by the Australian National Audit Office

On 1 August 2003 the Australian National Audit Office (ANAO) released a report on the effectiveness of the Government's agricultural and rural support programs.⁹ The report, entitled *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package* provides an analysis in chapter 3 of how Farm Help has been managed.¹⁰ Farm Help is administered by AFFA and Centrelink. Under the terms of a Memorandum of Understanding, AFFA pays Centrelink to administer Farm Help based on

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a fixed payment schedule. According to the ANAO report, there is no provision to vary the amount paid to reflect the number of customers who apply for payments and services.¹¹ To date, again according to ANAO, the number of customers has been below the levels anticipated when the payment amounts were determined. Figures in the ANAO's report show that in 2001-02 the number of customers for income support was over-estimated by 30 percent, for professional advice by 21 percent, and for re-establishment grants, by 11 percent.¹²

The ANAO also found, by examining a random sample of Farm Help case files, that there was systematic non-compliance with a legal requirement relating to the processing of the Certificate of Inability to Obtain Finance (CIOF). At present the CIOF has a maximum period of six months during which it can be used to qualify for income support. The ANAO commented that if Centrelink were to administer the program in full compliance with the legislation, then most farmers would have to obtain three CIOF to qualify for a full 12 month period of payment and that this would impose a significantly greater administrative burden on farmers.¹³ The ANAO therefore recommended that the legislation be amended to make it easier to comply with.¹⁴ This Bill amends the Act to require applicants for Farm Help to obtain a CIOF only from their primary lender. The CIOF will have effect for a period of 13 months from the date of issue.

The Minister foreshadowed in his second reading speech some amendments to two disallowable instruments which specify the operation of the Farm Help advice scheme and the Farm Help re-establishment grant scheme. The details of the combined advice and training grant will be provided as amendments to the Farm Help Advice Scheme 1997 disallowable instrument. Foreshadowed amendments to the Farm Help Re-Establishment Grant Scheme 1997 disallowable instrument will clarify the eligibility criteria for the re-establishment grant so as to ensure that the grant is only available to farmers who continue to be dependent on the farm for their livelihood.¹⁵

Main Provisions

The combined effect of **items 1 and 2 of Schedule 1** is to rename the farm help advice scheme as the farm help advice and training scheme. **Item 4** clarifies that the Certificate of Inability to Obtain Finance (CIOF) which is required to qualify for farm help income support, needs to be provided by the bank or other financial institution that is the farmer's primary lender. **Item 6** specifies what is meant by primary lender. **Item 5** provides for a CIOF to have effect for 13 months from the date of issue. Provided that the farmer's application is lodged with Centrelink within one month of receiving the CIOF, the certificate will cover the full 12 months that income assistance is available under the program.

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The effect of **item 7** is to extend the deadline for farm help income support applications to 30 June 2004. Income support may be paid for 12 months. **Item 8** extends the farm help income support closing date to 30 June 2005.

Items 11, 12 and 13 make it a requirement for everyone who applies for farm help income support to develop and act in accordance with an individual activity plan. This is an extension on the previous situation where only those farmers whose farm was assessed as non-viable were directed to develop an activity plan. Under the proposed amendments, the activity plan can be used to assist a farmer to keep his or her farm in a viable position. The consequences of not complying with an activity plan direction are to be determined in accordance with the farm help advice and training scheme (**item 15**).

The effect of **item 17** is to repeal the Secretary's powers to require applicants for re-establishment grants to develop and act in accordance with an individual activity plan. Subsections 52A(3A), (3B) and (3C) of the *Farm Household Support Act 1992* are no longer required as **item 11** now ensures that everyone who makes a claim for Farm Help income support will be directed to develop an activity plan. This will include re-establishment grant applicants.

Item 23 empowers the Minister to formulate a scheme to be known as the farm help advice and training scheme. Under the proposed scheme, financial assistance may be provided to farmers and their families in order to purchase the following goods and services:

- advice to assess their long-term prospects
- training, and
- software needed for the purpose of, or as a result of, advice or training under the scheme.

Item 25 picks up a change of program name from restart to farm help which was overlooked in the 2000 amendments. This item commences retrospectively from the date when the *Farm Household Support Amendment Act 2000* commenced (that is, 18 December 2000).

Item 1 of Schedule 2 is another minor technical amendment. With this amendment the text of the *Farm Household Support Amendment Act 2000* will read: 'Formulate a scheme for the provision of payments made **after the** 1 December 1997, by way of a grant of financial assistance' (emphasis added). This proposed amendment also commences retrospectively from the date when the *Farm Household Support Amendment Act 2000* commenced (that is, 18 December 2000).

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Endnotes

- 1 Hon Warren Truss MP, 'Budget extends closing date for Farm Help applications', *Media Release* AFFA03/121WT, 13 May 2003.
- 2 Hon Warren Truss MP, 'Second reading speech', Farm Household Support Amendment Bill 2003, House of Representatives, *Debates*, 17 September 2003, p. 19500.
- 3 Australian National Audit Office, *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package*, Canberra, 2003, p. 30.
- 4 The South Australian Centre for Economic Studies is a self-funding joint research centre of the University of Adelaide and the Flinders University of South Australia. It was established in 1982 and provides specialist consulting services in the broad field of applied economics. The Centre has its own full-time staff and, in addition, draws on the economics expertise of the academic staff members of the two universities. See <http://www.adelaide.edu.au/saces/>
- 5 *Evaluation of the AAA Farm Help-Supporting Families Through Change Program: final report*, June 2002. Report prepared by the South Australian Centre for Economic Studies [and] submitted to Agriculture, Fisheries and Forestry – Australia. Copy available in Parliamentary Library (I.D. No. 063197).
- 6 *ibid.*, p. 11.
- 7 *ibid.*, p. 7.
- 8 *ibid.*, p. 48.
- 9 Australian National Audit Office, *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package*, Canberra, 2003.
- 10 The other two programs analysed in the report are FarmBis II and Farm Management Deposits.
- 11 Australian National Audit Office, *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package*, Canberra, 2003, p. 15.
- 12 *ibid.*, p. 58.
- 13 *ibid.*, p. 63. Among the difficulties experienced by farmers in obtaining CIOFs were: financial institutions being unwilling to sign the CIOFs; a shortage of financial institutions in regional Australia; and, in some cases, loan application fees being charged for issuing CIOFs.
- 14 *ibid.*, Recommendation No. 4, Paragraph 3.52, p. 63.
- 15 Hon Warren Truss MP, 'Second reading speech', Farm Household Support Amendment Bill 2003, House of Representatives, *Debates*, 17 September 2003, p. 19501.

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