



CREATIVE SPARKS

THEMES FROM AFCCRA'S AUSTRALIA-WIDE CONSULTATIONS

Industry Funding and Conflict of Interest

DECEMBER 2007



CREATIVE SPARKS | (07) 3369 7247 | fionaguthrie@creativesparks.com.au

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1 Background

1.1 About this report

During 2007, the Australian Financial Counselling and Credit Reform Association (AFCCRA) undertook a consultation process with member groups around Australia about the wisdom of accepting industry funding for financial counselling. The key issue is whether industry funding raises conflicts of interest that cannot be managed.

This report distills the themes from these consultations. AFCCRA will use this report to finalise its policy position on industry funding.

1.2 About AFCCRA

AFCCRA is the peak body for financial counselling organisations in Australia and has members in each State and Territory. As a Federation, each State and Territory Association elects a member to AFCCRA Council on an annual basis.

Financial counsellors provide advice and support to consumers in financial difficulty. As set out on AFCCRA's website:

"A thorough assessment of an individual or family's situation is followed by identifying what can be done to address the financial problems, and the possible advantages and disadvantages of those choices. Financial Counsellors are based in community agencies and are funded largely by State or the Federal Governments."¹

1.3 Why were the consultations conducted?

A fundamental tenet of the financial counselling profession has always been that the counsellor acts in the best interest of clients. Their advice is free, confidential, independent and provided without conflict of interest.

In recent years, there has been considerable debate in the profession about the wisdom of accepting industry funding for financial counselling. Industry funding could be used in two ways:

- ◆ to directly **fund the increased provision of financial counselling**. There is a chronic shortage of financial counsellors. Most agencies offering financial counselling having long waiting lists. Many people simply do not get access to a service that may be of considerable benefit to them;
- ◆ to **fund AFCCRA** to better perform its peak body role. AFCCRA receives no government funding and relies on its volunteer Council to coordinate members, develop policy and advocate on behalf of the profession and low income consumers of financial services.

¹ <www.afccra.org/aboutafccra.htm>, accessed 1 December 2007.

AFCCRA had received government funding in the past, but this was removed when the Coalition took office at in 1996. It has operated for more than 10 years without funding. As discussed in the next section, industry funding is already a reality in the financial counselling landscape. It was important therefore for AFCCRA to settle a policy position on this issue. There are obvious implications for the way in which financial counselling develops in the future.

1.4 Current situation re industry funding

Industry funding is already a reality. For example:

- ◆ some utility companies are directly funding financial counselling agencies to see clients with utility debts. Organisations accepting such funding advise say they provide exactly the same options and advice to clients;
- ◆ AFCCRA's annual conference has been funded by a major bank for the past few years. AFCCRA has also received funding to run a Financial Literacy and Inclusion Forum the day after its annual conference, funded again by a major bank.

AFCCRA has not received any funding to employ staff to run the organisation.

1.5 Methodology

Specific sessions on industry funding were conducted at the national AFCCRA conference held in July 2007 and at the subsequent state conferences for South Australia, Victoria and Western Australia.²

The consultations usually took the form of an overview PowerPoint presentation outlining the issues followed by an open discussion. Finally, those present were asked to complete a one page feedback form that set out the issues and asked for a response. This form is included in Appendix 1. There were 154 survey forms completed in total.

The strength of the survey was that it allowed those responding to give qualitative feedback, in their own words. An alternative mechanism could have been to ask respondents to rate their level of agreement with certain positions. This may have lost the richness of views and forced people to make choices where there were still shades of grey. On the other hand, it was not always easy to understand each individual's position. Some people also touched on other issues in their responses that were not directly on point to the conflict of interest discussion.

This report was prepared by perusing all of the feedback forms, coding responses where necessary and distilling the themes. The coding, by necessity, involved some subjectivity. However, as there were a large number of respondents, any errors made in this regard would not influence the overall thrust or weight of views.

Direct quotes, which are italicised, are used to illustrate the themes in places. Some people capitalised or underlined parts of their responses and this formatting has been kept to illustrate their views accurately.

² The annual conferences of the Financial Counsellors' Association of Queensland and the Financial Counsellors' Association of New South Wales had been held earlier in the year. Jan Pentland, the Secretary of AFCCRA gave a presentation on this issue at these conferences. However at that point of time the formal feedback document had not yet been produced. Some of the people attending these conferences would have been included in the consultations at the national conference in July in Sydney.

1.6 Structure of this Paper

Section 2 of this paper summarises views and themes on three issues:

- ◆ direct industry funding for AFCCRA;
- ◆ the merits of setting up an independent Foundation;
- ◆ direct industry funding for casework.

Section 3 is a short summary.

2 Survey Themes

2.1 Industry Funding and AFCCRA

Of those respondents commenting on this issue, the large majority believed AFCCRA should accept industry funding. A number of comments were starkly positive, such as:

"I don't have a problem with industry funding. The money has to come from somewhere."

"I think it is a real positive for industry to be involved in funding conferences."

"AFCCRA is so important to the sector that it needs to be funded,, so if the only way is by industry funding, then so be it."

A number of people made it clear however, that industry funding should be subject to stringent conditions. These included matters such as tying funding to defined purposes, such as conferences, ensuring that the organisation concerned does not promote its sponsorship and obtaining a diverse range of funders. Illustrative comments included:

"I support AFCCRA using industry funding to undertake research, to develop policy for the financial counselling sector, to enable training and networking - effectively delivering peak body support to the sector ..."

"It would be very helpful to resource conferences, education etc. There is a caution though that accepting funding does not silence dissent."

"Broad based funding is acceptable. If it was just one funding body, bias or influence could creep into the organisational structure."

"Industry funding should only be acceptable for certain projects."

"It appears to be a fait accompli! I sincerely believe that very stringent guidelines should be developed UP FRONT in regard to accepting ANY \$\$ including no public acknowledgement of the 'benefactors' should be made."

A few people were strongly against AFCCRA accepting industry funding.

"NO. What about members funding AFCCRA? Keep it independent. It will be stronger for it."

"I do not believe we should accept industry funding directly as we have with ANZ, who do take and have taken credit on their website for the 'partnership' with ANZ and AFCCRA...."

A small number of people also noted that ideally AFCCRA should be government-funded. Suggestions for other sources of income included a levy on credit contracts, a "levy on essential services" and an industry levy.

"I think AFCCRA should be government funded ... Perhaps the money could be raised by a levy on credit contracts as suggested."

Some people specifically couched their comments by referring to their support for AFCCRA's current policy position:

"I agree in principle with AFCCRA's stance, if relevant policies and procedures are put in place."

A couple of people mentioned that industry funding was consistent with the notion of corporate social responsibility.

"Industry should play a part in funding financial counselling. It has a corporate responsibility."

2.2 An Independent Foundation

The large majority of people who specifically commented on a Foundation, were positive about the concept.

"The Foundation ideas sounds a great idea."

"An independent Foundation has merit — it removes the obligation from an agency to the funder"

"The idea of a Foundation would not contaminate AFCCRA as a financial counselling body. Funding could be pooled and used accordingly when projects meet 'Foundation Guidelines.'"

"Channelling industry funding through a Foundation might dilute the 'taint'. Could tax incentives be offered to induce a bigger giving Industry is part of the problem, hopefully it is also the remedy."

There were some concerns raised about the model however, including that the needs of large states might dominate smaller ones, that smaller agencies may not have the time and resources to apply for funding and that funding may not be distributed evenly. A Foundation would need to be transparent and independent.

"Larger agencies with more resources would probably be better placed to apply/access funds from a Foundation — please consider smaller agencies."

"A Foundation sounds like a good idea, provided it was distributed Australia-wide and not just in N.S.W. and Victoria."

Some people suggested that government could also contribute to a Foundation, which would then distribute all monies.

"The idea of a central Foundation to accept money from anyone is good. This keeps things at arms' length and the administration can be independent. The government must also contribute ..."

Two people expressed negative views:

"Each state should be responsible for its own policy on industry funding and negotiation with industry. A peak body "foundation" is a very difficult (and unnecessary) model to manage fairly."

"Definitely NO to AFCCRA setting up the Foundation and having control of all industry funding for all states. It is preferable for government to handle this accepting funds as a levy."

An interesting point about the operation of a potential Foundation was that:

"For real independence, the foundation needs to be built up to the point where it supports AFCCRA on interest only, and is sufficiently independent ... so as to not influence its outcomes."

2.3 Industry Funding and Casework

There were a spectrum of views on this issue, from strongly supportive to strongly negative, with variations between.

Some people said that industry funding should be accepted and it was possible to manage potential conflicts.

"I disagree strongly with AFCCRA's view in relation to the non-acceptance of funding from industry. It is the way we are headed and as long as clients get a successful outcome and workers do not compromise themselves, there isn't a problem in my eyes."

"Industry funding could be a way of significantly boosting funding for casework and financial counselling agencies"

"If the right approach to direct funding is made without 'strings', why couldn't this be a new source of funding?"

"Accept industry funding as long as the client is benefiting ... It has been happening for years and has been working."

A few people noted that industry funding was already occurring so that *"the horse has already bolted"*

Others said industry funding could be accepted, but only under certain conditions. The concept of a Foundation to manage funding was raised, as well as a couple of other options.

"Funding must be managed and administered by a third party .. Levy industry ... (set up) a Foundation ... to fund casework."

"I still agree that definitely we should not be directly funding (casework). The Clearing House idea is very good."

"Could it be like the Break Even funding in South Australia? From the banks, but not directly?"

"I favour a 'bucket of money' style industry funding, mixed with government and then distributed to agencies for distribution. This could possibly avoid a conflict, as it would not be known where the funding came from."

Some people thought these decisions were up to individual agencies to make.

"Good luck to agencies securing industry funding. Its up to individual agencies (to assess) the appropriateness of the funding."

Other people were very clear that industry funding posed an unacceptable conflict of interest, as well as raising its own risks.

"I agree with AFCCRA's policy that there should be no direct funding for casework."

"Industry funding should be avoided if at all possible! If absolutely necessary, a 'blind trust' may be an option only for funding AFCCRA executive and conferences, but NOT for casework."

"I have strong views against taking industry funding for casework. Where does the line start/ stop?"

"I am not happy about industry funding because it may influence casework (corrupts it) and it could be withdrawn, therefore we might lose jobs, or lose perspective."

A couple of people said that from the viewpoint of clients, the funding source was irrelevant:

"My clients don't care, as long as they get the service."

"I don't think the client would care where funding came from, so long as all help was provided and nothing was withheld, e.g. information about bankruptcy and alternate options."

Government was seen as the most appropriate funding source by a number of people. Accepting industry funding may also allow government to abrogate its funding responsibility.

"Accepting funding for casework would be seen as a conflict and would possibly see the government letting go of their responsibilities ..."

"Against. It lets government off the hook. It opens the door for bias in casework."

"I don't think industry funding is a good idea. My thoughts are that government should be made responsible for funding ..."

"Maintain the 'NO' direct industry funding AFCCRA policy because the more pressure we feel, the more pressure we will put on government ..."

A couple of people pointed out that government funding also brings its own conflict of interests. Financial counsellors for example, might be constrained from criticising government policy for fear of adverse impacts on funding.

One person also noted that industry funding may impact adversely on the current ASIC licensing exemption for financial counsellors:

Leaving aside the merits of industry funding or not, a couple of people pointed out that such funding was only really an option for bigger organisations.

"This not only allows industry to influence their own favourable outcomes, but allows agencies who have more resources to build empires. Rural agencies have the same clients but have no access to industry money due to lack of resources and ability to create relationships with industry \$\$."

As an indication of the range of views on this issue, the coding of responses (where this was possible) showed a spread of:

- ◆ 36 people who were **against** any industry funding;
- ◆ 13 people whose comments were in **favour** of industry funding and did not mention any conditions;
- ◆ 32 people who said industry industry funding would be **acceptable if via a Foundation or "clearing house"**;
- ◆ 24 people who said industry funding would be **acceptable subject to conditions**, such as meeting "guidelines";
- ◆ 19 people who made comments on the issue, but it was difficult to know whether they were in favour or against.³

³ Numbers will not add up as not everyone made comments on the exact issue.

2.4 Other Points

A handful of people specifically complemented AFCCRA for facilitating these discussions. For example:

"Complex issues. Its great to have this discussion."

"AFCCRA has thought the policy through very well, and is 'ahead of the game'. Well done."

This paper summarises the views of financial counsellors from around Australia about the issue of industry funding.

The overall position in relation to the three issues explored is as follows:

- ◆ **Industry Funding and AFCCRA**— The majority of people believed AFCCRA should accept industry funding for certain functions and subject to guidelines. This is consistent with AFCCRA's current policy position.
- ◆ **Independent Foundation** — The majority of people supported the concept of an independent Foundation. There were some reservations about how the Foundation might operate in practice, but the underlying principle was seen as worthy.
- ◆ **Industry Funding and Casework**— There were divided views on this issue, which appears to be more contentious. The majority of people were in favour of industry funding however, provided it was subject to conditions or distributed by an independent Foundation or similar body.

INDUSTRY FUNDING ■ AN OVERVIEW OF THE ISSUES

AFCCRA

ISSUE 1 - AFCCRA AND INDUSTRY FUNDING

CURRENT SITUATION

AFCCRA was de-funded by the Federal Government in 1996. In recent years, AFCCRA has accepted industry funding.

- Conferences and forums (This conference is an example.)
- Specific projects, such as:
- current review of the Diploma

- proposed research comparing the Australian model of financial counselling to overseas approaches (benefits, detriments etc).

Acceptance of funding has been on a case-by-case basis and subject to AFCCRA's Industry Funding Policy. This is based on ensuring AFCCRA's independence.

A FOUNDATION

AFCCRA is investigating setting up an independent Foundation, that would be able to accept funding from a range of sources. The Foundation would have the capacity to receive

applications and make grants.

ISSUE 2 - CASEWORK AND INDUSTRY FUNDING

CURRENT SITUATION

- AFCCRA's policy is that there should be no direct industry funding for casework.
- Some agencies have accepted funding from industry for specific projects, such as policy development.
- Some agencies have accepted funding from industry for financial counsellors to undertake specific casework.

YOUR VIEWS?

ISSUE 1 - AFCCRA AND INDUSTRY FUNDING

ISSUE 2 - CASEWORK AND INDUSTRY FUNDING