

Allocation of voluntary redress payments in the context of enforcement cases

Consultation response by Leeds City Council, compiled by the Sustainable energy and Climate Change Team

Question 1

Do you agree with our objectives for the allocation of voluntary redress? If not, please explain why.

Yes, we agree with the objectives set out in the consultation.

Question 2

Are there any additional objectives or criteria we should consider when making a decision on our forward approach to voluntary redress? Are there things our approach should definitely include or absolutely avoid?

The requirement for an open bidding process needs to have a minimum budget attached in order to offset the costs of the bidding process. This could be achieved by combining small payments together over a set period over 6 months or a year. Currently local authorities are not given the opportunity to bid, and if one of the objectives is to broaden the number of projects receiving funding they should be allowed to receive funding

Question 3

What are your views on 'Option 1: Current process with enhanced principles'? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

We do not support this option as currently laid out. We believe that local authorities should have the opportunity to directly bid for funds as many perform an important role in bringing assistance to residents in fuel poverty. Local authorities will comply with all of the conditions laid out in section 3.2 in particular 3.2.2, 3.2.4 and 3.2.5 and many are experienced at working with third sector organisations to deliver grass roots projects working with people in communities to alleviate fuel poverty.

We note that in previous rounds, local authorities have had the opportunity to bid for funding indirectly from organisations that had received redress money, therefore we see no reason why local authorities should be excluded at the first stage. If local authorities are excluded at the first stage they have to fulfil 2 sets of criteria before receiving funding and this can lead to complications. Recently a regeneration and energy efficiency project in a deprived area of Leeds missed out on receiving voluntary redress funding as this was being delivered through the Warmzone Framework. The sub-contractor was on the framework and felt the scheme fitted all the criteria, however the main contractor was not and so funding could not go to this project.

In addition, Local authorities have the experience of monitoring projects to be able to provide the evaluation needed and to help third sector parties with evaluation

Question 4

What are your views on the possible additional principles outlined in ‘Option 1: Current process with enhanced principles’? Are there further additional principles that would help meet our objectives?

We support these principles. We also feel that the ban on charities associated with energy companies receiving funding for this work should extend to all companies not just the one giving voluntary redress or the public may perceive a cosy club of the Big 6 providing funding to each other’s charities, which would have a negative effect on the principle of voluntary redress.

Question 5

What are your views on ‘Option 2: Responsibility given to a third party with appropriate expertise’? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

We do not have any objections to option 2, so long as organisations such as Local Authorities/Local Authority consortia/Regional Bodies (i.e. Combined Authorities/LEPs) are also able to bid for funding on an even footing to other parties. The third party should have no connections to any party that may be required to make a voluntary redress payment.

Question 6

How should the costs of the third party associated with allocating redress be funded?

Costs should be kept to a minimum through a thorough and transparent procurement process. Costs should be offset by any interest earned on payments received and not yet distributed.

Question 7

Should the company that made the redress payment have an input into the approval of recipients under this option?

No. However the company could have an input into the conditions of the grant, for example if a particular geographical area or type of customer has been particularly adversely affected, data on that would be supplied meaning the company would be required to think about the consequences for consumers of their actions.

Question 8

How can we ensure that smaller potential recipients can bid and are not disadvantaged compared to larger potential recipients?

We have not responded to this question.

Question 9

What are your views on this ‘Variation on Option 2 – Voluntary redress payments go to a charitable trust set up by Ofgem’? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider, particularly in relation to the DAF provider model set out above?

We would have no objection to this arrangement so long as organisations including local authorities have the opportunity to bid for funding in a fair and transparent process.

Question 10

How should the costs of running a charitable trust set up by Ofgem be funded?

This should come from the interest earned on fines which have not yet been allocated/paid out. To avoid this becoming a disincentive to release grants, the charitable trust should also be able to claim running costs from the capital grants available, up to a pre-agreed limit.

Question 11

What are your views of the idea of using part of voluntary redress payments to support specific schemes? What are the advantages, disadvantages, risks or costs relating to this idea? What existing schemes could be considered under this approach?

We have had great difficulty in the past in keeping successful schemes running when their initial funding provided for a pilot project has run out. We would therefore welcome it if existing schemes were able to be supported, particularly if this included local authority schemes.

Question 12

Which of the options in this consultation do you think should be used and why?

Of the options presented, option 2 is the most suitable. However, we would recommend improving this option as highlighted in Q13 below to help direct the funding to vulnerable people living in deprived local areas more effectively.

Question 13

We believe strongly that local authorities should be able to access the funding directly, and that it should be possible to use it to support successful existing schemes where the initial funding has expired.

- *Local authorities often already have extensive links within the community, including through third party and charitable organisations.*
- *Often where schemes have proved successful, the funding to support these runs out just as the scheme is becoming known to referrers and community networks, therefore it becomes difficult to maintain local knowledge of what is available over the long term.*
- *Multi-year funding for some projects will allow stability and the time to properly establish and fully complete a project.*