

OFGEM Consultation on Voluntary Redress

SCVO response

23 August 2016

Summary

Our specific propositions on the system of voluntary redress are:

1. Setting up a new third party may prove time consuming and costly. It would be preferable to explore existing third parties with proven track records, such as Big Lottery Fund and Foundation Scotland, as potential options.
2. There must be a clear formula and process for the distribution of funds to the devolved nations. This will ensure equitable allocation and help to protect consumers across the UK.
3. Smaller organisations should not be disadvantaged within the system. This necessitates a simple bidding process, an understanding of geographical differences in costs and monitoring procedures that are proportional and accessible.
4. Although we agree that energy companies should not gain positive publicity from voluntary redress, OFGEM should work collaboratively with same-name energy trusts to promote a positive role for these organisations within the system.
5. Following the conclusion of this consultation, we believe OFGEM should re-engage with stakeholders to refine the preferred option. The complex consultation document has not necessarily promoted transparency.

Our response

SCVO welcomes the opportunity to respond to this consultation on voluntary redress.

Our response outlines some key considerations around the third sector's ability to engage with the process of voluntary redress. We urge OFGEM to take these concerns into account when redesigning the system so as to enable voluntary redress to be responsive to the sector's needs. Ensuring that third sector organisations, regardless of size and geographical location, can effectively participate in voluntary redress will facilitate the best outcomes for the vulnerable individuals the system is designed to support.

Third Party

Within option two, it would be worth exploring how an existing third party could administer the fund, rather than creating a new body. For example, the Big Lottery Fund, [Life Changes Trust](#) and [Foundation Scotland](#) may be potential options.

At present, the Big Lottery Fund fulfils a similar third party role within the distribution of money from [dormant bank accounts](#). In Scotland, dormant bank account funds are directed to projects which meet specific objectives relating to supporting young people. This targeting of funds is similar to the objectives of voluntary redress which allocates money to energy-related projects. The Big Lottery is an established fund and their involvement would be viewed positively by the sector and the public more broadly.

Foundation Scotland has experience of delivering innovative funding programmes. Their knowledge of the sector enables lesser known charities to benefit from funding in a range of key areas. Again, they have experience of linking funding to specific objectives and have given large and small-scale grants.

Life Changes Trust work specifically with people affected by dementia and care-experienced young people. For these reasons, this third party may only be applicable to certain cases. However, the trust has excellent experience in administering funding and would have valuable knowledge of the sector in Scotland.

While administering funds through these third parties would still incur a cost, this would avoid some of the initial set-up costs associated with establishing a new third party and would thus enable more money to stay inside the system. Regulations for the governance of third sector organisations would mean that to set up a new organisation would be time-consuming, particularly when setting up a cross-border UK-wide charitable organisation. Choosing an established third party may be more time-efficient.

The terminology of Donor Assisted Fund (DAF) is problematic given the association with tax-avoidance. Whatever the nature of the third-party, we would urge a movement away from such terminology to protect the reputation of the system.

We have some concerns with OFGEM's role in having a final say in the distribution of funds. It would be more appropriate if there were a grants panel, run by the third party, made-up of people with relevant expertise. For example, there may be members with expertise in energy, the third sector and fuel poverty. An OFGEM representative could be part of the panel, but OFGEM should not have the final say in decisions.

Viridor has a similar arrangement in the [Landfill Communities Fund](#), whereby funding decisions are made via a funding panel. While Viridor and Viridor Credits have representation on the panel, membership is broad including representatives from Community Groups and councillors. Panel members who have a vested interest in certain projects are unable to vote on those projects, supporting neutrality in funding decisions. This broad-ranging expertise promotes successful funding decisions and would be an appropriate model for voluntary redress.

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Direction of funds

We believe that although funds should be directed towards energy-related projects which protect vulnerable people, there is no need to directly link the energy company breach to the types of projects supported by the recipients of the voluntary redress payments.

Devolution: equitable distribution of funds

There are also concerns about whether the system will enable an appropriate proportion of funds to come to the devolved nations. The experience of LIBOR funds raised questions about the allocation of funds. There were concerns that cash levied from banks had been allocated to the third sector in England and Wales, but that Scotland had not been given a fair share.

We would therefore seek assurances that voluntary redress funds would be distributed equitably, preferably utilising a clear, transparent formula.

Monitoring and Evaluation

The consultation notes that there will be increased emphasis on monitoring and reporting on the use of funds. Although it is important to ensure value for money, efforts must be made to ensure that monitoring and evaluation does not place undue burdens on organisations, especially smaller organisations.

Cost and navigating the various evaluation tools are two of the main barriers preventing smaller organisations from measuring their impact. Monitoring and evaluation expectations should be proportional to the money received.

Smaller organisations have greater flexibility and responsiveness compared to their larger counterparts and are often able to create innovative programmes which meet local need. Given the disparity between the issues faced across urban and rural areas, local expertise is pivotally important. Moreover, placing limits on administrative costs may hinder the capacity of rural organisations to participate, given the additional costs associated with interventions in rural areas. Voluntary redress will be most effective when big and small charities can participate simultaneously and the processes of the system must further this goal.

Similarly, with an open bidding process, it may be that smaller organisations are disadvantaged by complex funding applications. If the aim is to increase the number of charitable organisations assisted by voluntary redress, this will most probably lead to smaller-scale grants. In the trade-off between the resources required for complex bidding processes against the value of allocated funds, many smaller organisations may decide that the pay-off is not worth the effort. A simple application and bidding process will help to create a level-playing field, encouraging applications from organisations of all sizes.

The open bidding process should also support partnership bids, as collaborative approaches are an important means of tackling fuel poverty and reaching marginalised groups.

The [Community Capacity and Resilience Fund](#), ran by SCVO, holds valuable lessons for accessibility. The project had a simple application process and adopted innovative means

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of evaluation. The fund encouraged smaller organisations, with an annual income of less than £200,000, to apply for funding to tackle welfare reform and poverty. Successful projects were able to report on the progress of their final outcomes via evaluation forms, video and sound clip. This requires an acceptance that qualitative evidence and data can be used alongside the traditional quantitative measures. This is something OFGEM should explore within the redesign of the system.

The Third Sector

It was highlighted by participants at the Glasgow roundtable event that it might be helpful for OFGEM to have more insight into the operation of the third sector in the UK. Given the broad remit of OFGEM, it is understandable that staff may not have encompassing knowledge of the intricacies of the sector.

For the purpose of voluntary redress, and perhaps other programmes, it may be useful for OFGEM personnel to have greater understanding of the third sector. On this point, SCVO would be happy to engage with OFGEM on a formal or ad hoc basis and to assess where there is greater capacity for partnership working.

Same-name energy trusts

We agree that energy companies should not be seen to benefit from voluntary redress. However, it may be somewhat ill-advised to completely restrict same-name energy trusts from participating given some important work conducted by these organisations.

It may be worth having further consultation with same-name trusts to design a new role for these trusts within the system. Perhaps a compromise option would be to limit the percentage of funds going into same-name trusts, rather than prohibiting their involvement completely.

Conclusion

The consultation options are somewhat complex and the timeframes for responding were fairly tight. For these reasons, it may be helpful for OFGEM to re-engage with stakeholders following this consultation to offer feedback on responses.

If consultation responses clearly support one option, collaborating with the third sector and energy companies to refine the preferred option will help to ensure that the re-designed system is responsive and fit-for-purpose.

The key point to remember is that voluntary redress must help vulnerable people across the UK. The needs of vulnerable consumers must be at the heart of the system, ensuring funds are used to protect the consumer rights and human rights of individuals and communities.

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About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 138,000 paid staff and approximately 1.3 million volunteers. The sector manages an income of £4.9 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1,600 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1,600 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland
- SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change.

Further details about SCVO can be found at www.scvo.org.uk.

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