

Consumer Focus Board

Paper 5.1

Title: Developing new project funding

Purpose: For decision

Date of meeting: 16 September 2010

Responsible officer: Mike O'Connor

Prepared by: Philip Cullum

Attachments: Annex A: Our legal position
Annex B: Current project-specific funding

1 Overview

- 1.1 Our core funding for this financial year was cut by 17 per cent, across our three main funding streams. At best our grant income will remain as it is in the next Comprehensive Spending Review period, but it is more likely to be cut further. It is therefore important that we explore new sources of project funding to support our work.
- 1.2 We are able to earn income by undertaking work commissioned by other organisations, although we face some restrictions in doing this. All non-core grant funded work must have a clear benefit and contribute directly to advancing three core functions set out in sections 8-10 of the Consumers, Estate Agents and Redress Act: representation, research and the provision of information. As a public body we must comply with Treasury rules set out in 'Managing Public Money'.
- 1.3 We currently earn an additional £4.9m from such projects, some of which are longstanding. Adding to this will require some investment in materials and necessary skills in terms of bidding, project management and accountability – these presently exist to differing degrees across the organisation, though there is at least a base on which we can build.
- 1.4 There is an important issue about how we might diversify our grant funding, for example from the financial services sector. We touch on this below but it is outside the scope of this paper. We propose to return to this as part of our work on the consumer landscape.
- 1.5 It is proposed that:
- We actively seek managed and planned opportunities for collaboration and partnership on projects to maximise our influence and impact, and as part of this seek to generate income
 - All such opportunities should primarily be assessed on the basis of whether are in line with our statutory functions and mission, connect into our corporate and annual plans, and help us advance the consumer interest in the areas which we consider to be most pressing

- We should clearly communicate this approach to staff, not least through the workplanning process, and over time develop a focused toolkit to support them
- We should report to the Board twice a year on our attempts to seek additional funding and the extent to which these have been successful.

1.6 However the present uncertainty over the consumer landscape and our inability to recruit staff mean that we may be constrained in how much we can achieve in this area over the remainder of the financial year.

2 Action for the Board

2.1 The Board is asked to **agree** the proposals set out in paragraphs 4.2 and 4.4 below, that we should actively seek to raise income beyond our core grant, where this enables us to achieve our mission, subject to rules to safeguard our reputation.

3 The key issues

Our current funding

3.1 We currently receive a core grant of £13.9 million. Some 41 per cent of this comes from a levy on energy companies and 21 per cent from a levy on Royal Mail, with 38 per cent from the taxpayer.

3.2 We have a number of projects that are separately funded, earning us a total of £4.9m this year. These comprise: the work of the National Social Marketing Centre, predominantly funded by Department of Health although we are seeking to broaden the funding base given the withdrawal of DH grant funding at the end of this financial year; and a range of projects funded by the Scottish Government: the Healthyliving Award, Community Food and Health Scotland, Health Rights Information Scotland and the Scottish Accessible Information Forum. Consumer Focus Wales has in the past done some project work funded by the Welsh Assembly Government too. More details of our current projects are attached in Annex 2.

3.3 We also have one substantial collaborative research project underway at present, with Postcomm, which explores consumer perspectives on universal service in post. Both parties contributed significant sums to pay for the research, which they could not have afforded on their own.

3.4 Our present funding position is unusual but not unique. Executive NDPBs (of which we are one) tend to get most of their income from government. The Cabinet Office commented last year that *'In 2008/09, total expenditure by Executive NDPBs was around £46.5bn. Of this, around £38.4bn was funded directly by Government. The remainder was financed through a combination of fees and charges, levies and other sources of funding (such as National Lottery or EU grants).'*

The benefits of separately-funded projects

3.5 The Board has previously recognised that the advantages of separately-funded projects include:

- a) Giving us capacity to improve delivery of our core functions
- b) Establishing new external relationships and getting us closer to consumers
- c) Building critical mass (e.g. Consumer Focus Scotland is 50 per cent larger than it would have been without the non core funded projects)

- d) Developing our policy and representation expertise in key areas
- e) Enhancing our brand, as we become known for new areas of work
- f) Giving us an explicit remit to investigate particular issues, with funders who have an interest in the outcome
- g) Taking the consumer interest into new fields.

Our position as a public body

- 3.6 As the Board is aware, we face some restrictions in doing such work. The main constraint on our ability to generate income in addition to our core funding is Treasury rules governing public bodies.
- 3.7 HM Treasury guidance (*Managing Public Money*, October 2007) makes it clear that where public bodies provide goods or services to the public, to other public bodies or to external bodies, charges should reflect the full cost of providing the service (also referred to as ‘full cost recovery’).
- 3.8 This means that we should not set out to make a profit out of work for other Government bodies, or to charge at a level which represents a cross-subsidy to work for another department. As with other public bodies, we should not plan to recover more than 100 per cent of the full cost of services and should consider adjusting the pricing of services if costs change. *Managing Public Money* does accept, however, that surpluses and deficits are bound to happen from time to time.
- 3.9 We are also required to be careful about distorting the market as a result of our status in competing with businesses or third sector organisations for work.
- 3.10 We therefore cannot use separately-funded projects simply to generate funds which we could then use to pay for other work – as a public body, the benefits to us of seeking to maximise our earned income are therefore more limited than the advantages for NGOs. Nor can we under-price work to attract business. We can however reasonably ask funders to pay for a proportion of relevant overhead costs, thus potentially spreading the load.

Potential sources

- 3.11 Projects are likely to fall into one of two broad categories: policy or delivery. We are in the main better placed to do the former rather than the latter, although some approaches have been about delivery. In the main we are unlikely to want to take on a pure delivery function without much discussion about how this fits with our organisational model, strategy and skill-set, but there are other potential pieces of work which straddle policy and delivery, such as functions which provide assurance to consumers and/or provide some kind of audit of services. For example we were asked recently if we would like to take on the Customer Service Excellence Awards and are still talking to Cabinet Office about our possible involvement.
- 3.12 The most likely sources of new funding are:
- 3.12.1 **Central government.** The National Social Marketing Centre has a good record in winning work on behaviour change from a number of government departments and other organisations in the UK and internationally, from DFID and Defra to the World Health Organisation and the British Council. Our predecessor body the National Consumer Council was reasonably successful in picking up a number of research-based projects about public services,

funded by Cabinet Office, and consumer law, funded by a predecessor of BIS. Controls on recruitment and use of contractors within departments and other public bodies may create more opportunities for us in areas where we are considered to have expertise and (particularly in the case of externally facing work) a good brand – although of course our own diminishing numbers may reduce our ability to fulfil such work. In areas where we are already explicitly funded, such as energy and post, departments may expect us to do work for free – this was certainly the case recently with regard to a project on the Post Office Essentials model, requested by the Shareholder Executive.

- 3.12.2 **Local government.** There may be some opportunities here, although this is probably more likely on a partnership basis (for example with the Local Government Association) rather than commissioned work.
 - 3.12.3 **Regulatory bodies and other consumer organisations.** There is some scope for us to work in partnership with other consumer bodies, sharing the costs of major research projects for example. We have not to date explored the possibilities of being funded by regulatory bodies to do particular pieces of work, though a number of them employ our former staff or use them on a consultancy basis, suggesting that this should be a fruitful area. One obstacle may be that in energy and post the regulators may feel that our core funding pays for our work in their area already, although the recent funding cut may strengthen our case here.
 - 3.12.4 **The European Commission.** Getting and accounting for EU funding can be quite arduous but there is no doubt that opportunities exist and the more experience an organisation has the easier it is to handle the process.
 - 3.12.5 **Trade associations or individual businesses.** We have well-developed and generally constructive relationships at senior level with a range of trade associations and businesses. Although we do not always see eye-to-eye with businesspeople, there can often be quite a lot of common ground on key issues. They tend to recognise that we have expertise and insight that is different from their own, and so we could almost certainly do some work for/ with them.
- 3.13 We will also want to consider potential sources for our core grant funding. These are most likely to come from regulated sectors, in that the regulatory process provides a means for ensuring that all businesses contribute and that the money is passed to us. In terms of our current work, the most obvious sector would be financial services, but there may be others that are relevant too. It is proposed that we return to this issue in more detail as part of our work on the consumer landscape.

Capacity

- 3.14 One issue that the Board should be aware of is that we presently face very constrained capacity to do additional work, partly because we have a packed workplan but more significantly now because we are not able to recruit for vacancies. We are experiencing a steady trickle of departures, so this situation will get worse over time. Specifically funded projects which require substantial staff time may therefore be substitutes for, rather than additions to, our current planned programme of work.

Safeguarding our reputation

- 3.15 The Board has previously noted that taking funding from business might threaten our membership of Consumer International (CI). We are likely to have to review CI membership (which costs us £69,000 a year) as a result of cuts in our funding, so this should arguably not have an undue impact on our approach. In any event there is a degree of flexibility - Which? (also a CI member) now charges businesses a small amount for the right to use its Best Buy logo in adverts, for example.
- 3.16 The most fundamental issue for us is about our reputation and any perception that business or other bodies have used funding to gain control over our agenda and analysis.
- 3.17 This might be particularly important with regard to any funding from businesses. It would be very damaging for us to be seen to be beholden to the businesses we exist to challenge, and so we would need to put in place some meaningful safeguards. One option could be to limit funding to areas where the business in question does not have a direct financial interest, or where the interest and the funding are from an industry-wide source rather than a particular business. A telecoms company could for example fund work on consumer engagement in regulation, but not work on broadband contracts; and the energy switching sites could together pay the costs of the Confidence Code.
- 3.18 Experience suggests that the most successful funded projects have been those where the purpose of the project and the methods used in its delivery spring from and build on our core functions, where we have established strong project planning and management and clear governance accountability, and where we have a long-term relationship with the funders and our and their objectives are aligned.
- 3.19 Our current portfolio suggests that we have pockets of excellence in the management and governance of separately funded projects, but probably less expertise in terms of developing new projects and achieving funding for them. The four projects in Scotland have been in place for several years, so the National Social Marketing Centre is really the only part of the organisation with substantial skills in terms of income generation. If we are to attract additional funding, this would require some development in terms of colleagues':
- 3.19.1 Recognition of need to generate additional funding
 - 3.19.2 Awareness of potential opportunities
 - 3.19.3 Knowledge of how to make good quality funding bids
 - 3.19.4 Understanding of proper management and governance of separately funded projects.

4 Proposal

- 4.1 Separately funded projects can offer Consumer Focus great benefits in terms of advancing the consumer interest in new areas and deepening our expertise in particular topics. They can give us a new route to influence, and enhance our brand. Sometimes they allow us to commission research which we would not ordinarily have been able to afford. The pursuit of income is not an end in itself and agreeing to undertake work which is not a consumer priority, or which takes up valuable staff time for no clear consumer gain, is poor management of our resources.

4.2 It is proposed that:

- We actively seek managed and planned opportunities for collaboration and partnership to maximise our influence and impact, and as part of this seek to generate income
- All such opportunities should primarily be assessed on the basis of whether are in line with our statutory functions and mission, connect into our corporate and annual plans, and help us advance the consumer interest in the areas which we consider to be most pressing
- We should clearly communicate this approach to staff, not least through the workplanning process, and over time develop a focused toolkit to support them
- We should report to the Board twice a year on our attempts to seek additional funding and the extent to which these have been successful.

4.3 However the present uncertainty over the consumer landscape and our inability to recruit staff mean that we may be constrained in how much we can achieve in this area over the remainder of the financial year.

4.4 The Board has previously agreed that in assessing each case, we should consider:

- Relevance – How does this link to our objectives and why would we do it?
- What is the benefit to the consumer / disadvantaged consumer?
- What are the risks and benefits (financial and reputational)?
- Size – Would an individual project overwhelm our core business, or would the amount of externally funded work become unduly high?
- What is the level of management required?
- Do we have the skills?
- How will it be perceived externally?
- Are we competing with another organisation?
- Will taking funding constrain our ability to criticise an organisation in the future?

4.5 In order to safeguard our reputation, we should institute the following rules:

- All external funding agreements must be signed off by SMT and, if over £100,000, the relevant Board
- We must not accept external funding where this would damage our reputation, and in particular where it might cast doubt on our independence
- We will not accept funding from a body where we are in any way constrained from reaching our own conclusions on an issue, or where the work might undermine our ability to perform our core role
- We will limit funding to areas where the proposed funder does not have a direct and unique business interest in the outcome.

5 Resources

5.1 Building the skills to bid for and manage funding on a significantly enhanced basis might require an investment of time and money, although some of this would be relevant to, and build on, our ongoing work.

6 Next steps

6.1 If the Board agrees the suggested approach in this paper, particularly paragraphs 4.2 and 4.4., we will communicate it to all relevant staff and start to put in train a more active approach to income generation.

Our legal position

Section 21 of the Consumers, Estate Agents and Redress Act 2007 states that Consumer Focus 'may make arrangements to co-operate with and give assistance to any person if it considers that to do so would facilitate or be conducive to the exercise of its own functions.' Section 22 states that Consumer Focus 'may provide for any person advice or assistance, including research or other services, as respects any matter in which the Council has skill, experience or expertise' and that it 'may make such charges as it thinks fit in respect of anything done in exercise of its powers under this section.' Additionally, it 'may spend such sums as it considers reasonable in the exploitation of commercial opportunities arising from the activities it carries on in the exercise of its functions.'

Paragraph 13 of our governance Standing Orders states that: 'The main Board is ultimately responsible for all financial matters, but the development and management of some earned income projects in their jurisdiction is devolved to Consumer Focus Scotland, Consumer Focus Wales and Consumer Focus Post Northern Ireland. Earned income projects can therefore be established at both main Board and at country Board level. They do however have to be fully self financing (including appropriate contributions to overheads) and self managed. And they must be subject to the overall controls established by the main Board central internal and external audits.'

Current funding

| Project | Primary funder | Other funders | Amount in 09/10 |
|---------------------------------------|---|--|-----------------|
| National Social Marketing Centre | Department of Health (core grant ends April 2011) | PCTs, DH Scotland, DEFRA, DFID-China etc | £5.1m |
| Community Food and Health Scotland | Scottish Government | n/a | £828k |
| Healthyliving Award | Scottish Government | n/a | £498k |
| Health Rights Information Scotland | Scottish Government | n/a | £415k |
| Scottish Accessible Information Forum | Scottish Government | n/a | £103k |

Shared funding in 10/11

| Project | Partner organisation | Our contribution | Their contribution |
|---------------------------|----------------------|------------------|--------------------|
| Universal service in post | Postcomm | £113k | £152k |