

Consumer Focus Board

Paper 11.1

Title: Earned income strategy

Purpose: For decision

Date of meeting: 13 October 2009

Responsible officer: Philip Cullum

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Attachments: None

1 Overview

- 1.1 'Earned income' is a term we use to describe any income outwith our core grant paid through BIS. We are able to earn income by undertaking work commissioned by other organisations, but we face a number of 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. We must comply with Treasury rules set out in 'Managing Public Money'; and we must not breach Consumers International rules if we wish to remain a member.
- 1.2 This paper considers what our overarching strategy on such earned income should be, and seeks to define further the relevant decision-making processes. It does not seek to set out detailed rules, for example on charging for overheads – these have been the subject of past Senior Management Team and Board decisions.

2 Action for the Board

- 2.1 To **AGREE** the proposals set out in paragraph 4.2 below, that we should continue to consider opportunities to raise income beyond our core grant but that each instance should be subject to evaluation of the impact on our mission and that additional income generation should not be an objective in itself. The Board is also asked to endorse the questions set out in paragraph 4.3 for the consideration of each opportunity.

3 The key issues

- 3.1 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.'

- 3.2 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.'*
- 3.3 We have a number of funded projects underway at present. These include the work of the National Social Marketing Centre, predominantly funded by Department of Health although we are seeking to broaden this funding base, 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.
- 3.4 Advantages of such 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.
- 3.5 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 clear management and governance accountability, where the funding is on a clear and written business planning basis, and where we have a long-term relationship with the funders and our and their objectives are aligned.
- 3.6 As noted above, we face some restrictions in doing such work. The main two constraints on our ability to generate income in addition to our core funding are Treasury rules governing public bodies and the rules we have agreed to follow as members of Consumers International.
- 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 With this in mind, 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 therefore cannot use earned income to generate funds which we could then use to pay for other work – the benefits to us of seeking to maximise our earned income are therefore very much more limited compared for example to NGOs. We can however reasonably ask funders to pay for a proportion of overhead costs, thus potentially spreading the load. Department of Health contributes to meeting costs associated with our lease on 20 Grosvenor Gardens while National Social Marketing Centre staff are based there, for example.
- 3.10 We also need to be careful about distorting the market as a result of our status in competing with other organisations for work.
- 3.11 With regard to Consumers International (CI), its values include '*Independence from business, government and party politics*' and it is a signatory to the International Non Governmental Organisations Accountability Charter, which states that '*We aim to be both politically and financially independent. Our governance, programmes and policies will be non-partisan, independent of specific governments, political parties and the business sector.*'
- 3.12 This means we are not able to take funding direct from businesses without threatening our CI membership. Our predecessor body the National Consumer Council (NCC) had an unhappy experience in this area some years ago, when it established a short-lived 'Friends Scheme' for businesses. On the other hand, Which? has managed to charge businesses (albeit a relatively small amount) for the right to use the Best Buy logo in adverts. This issue is to some extent about perception as much as actual influence over decision-making. The Board has previously endorsed the view that CI membership is important, in connecting us to the wider consumer movement and enhancing our ability to achieve impact at international level. We would strongly advise against actions which would raise question-marks about our continued membership.
- 3.13 However this does not mean that we should reject opportunities to work alongside other organisations, including businesses. In some instances, other organisations could wholly or partly fund research or events which are jointly commissioned and branded – since no payment is made to us this falls within the rules. We should however consider in all cases whether it is appropriate for us to take funding from a particular organisation, in terms of how it is aligned with our functions and role and how any funding relationship will be perceived and might impact on our other work.

4 Proposal

- 4.1 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. However, the pursuit of income is not an end in itself. 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 continue actively to seek managed and planned opportunities for collaboration and partnership to maximise our influence and impact, in line with the recent Board paper on memberships
- Where this results in opportunities to generate income from outside the organisation, we should welcome these, subject to the various rules with which we must comply
- We should also consider alternative means of broadening our resources, relationships and impact, such as collaboration on projects where other parties contribute money or resources but make no direct payment to us
- 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 not treat the generation of income as an objective per se and we should not for example establish income generation targets.

4.3 In assessing each case, it is proposed that we should always consider the following issues:

- 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?

5 Resources

5.1 This requires no additional resources.

6 Next steps

6.1 If the Board agrees the suggested approach in paragraph 4.2, we will communicate it to all relevant staff.