



# EDF Energy Trust Research Project

## Final Report

April 2012

# EDF Energy Trust Research Project

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We would like to make clear that the findings contained in this report are based on research undertaken by the authors and the analysis and comments contained within do not necessarily reflect the views and opinions of EDF Energy Trust, Charis Grants or EDF Energy.

The study was commissioned and financed by EDF Energy Trust and managed by Charis Grants Ltd and was carried out by a research team consisting of:

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## Executive Summary

### *a) Is the Trust meeting its objective to target individuals and families in hardship?*

Our analysis of the figures on the reach of the Trust show that a large proportion of those applying to and receiving funding from the Trust are from families with children, single parent households or from lone person households. These types of households frequently find it difficult to heat their homes affordably and as national figures show experience the highest levels of fuel poverty.

- **The EDFET has considerable reach:** more than 6,000 households received awards between January 2009 and March 2011. These awards covered a broad range of age categories, ethnic groups and household types, and were spread across UK nations and regions.
- **Households that struggle to pay their energy bills tend to be struggling financially more generally:** nearly half of all awards were made to support combined electricity and gas debt and almost a third of awards included a further assistance payment.
- **Energy account debt is a particular problem for households with children, single parent families and people living on their own:** together these three groups make-up eight out of ten Trust applicants and award recipients. Nationally these household types experience the highest levels of fuel poverty.
- **Most applicants find out about the Trust from their energy supplier but third sector organisations are also important** for raising awareness of the Trust: more than a fifth of applicants finding out about the Trust from an independent third sector advice provider.
- **There is a relationship between energy debt, fuel poverty and financial hardship:** it is estimated that more than half of Trust award recipients are fuel poor and about a third of these household spend more money than they receive on a weekly basis.
- **Pensioners, including lone pensioner households, appear underrepresented** in Trust applications and awards, particularly as this group is known to be amongst the worst affected by fuel poverty but more research would be needed to understand why this is.

Qualitative evidence from the case study organisations also demonstrates that organisational grants play a part in helping the Trust and the debt advice organisations reach vulnerable groups likely to be experiencing severe financial hardship. The work that CABs and other debt organisations do in promoting the Trust and working in partnership with outside agencies is a key way that the Trust increases its reach to these groups.

### ***b) What are applicants' experiences of applying to the Trust and how effective are the processes to allocate funding?***

Experiences of applying to the Trust were generally positive, most found the process straightforward with those applying to the Trust through an advice organisation perhaps finding it easiest of all. Those applicants that applied with support from a local advice centre such as a CAB or through an EDFET funded project were extremely satisfied with the help they received applying to the Trust. However, some applicants are not finding the information currently included on the Trust application form sufficient. It may be beneficial for the Trust to direct applicants to the help available through CABs and EDFET funded organisations more explicitly and to clearly explain the benefits of applying with such support on the form (i.e. applicants who apply this way are much more likely to submit successful applications to the Trust. Generally applicants were reasonably happy with the length of time that applications took and felt a wait of up to three months was generally not too bad. Once applications were accepted most beneficiaries felt that funds were paid quickly and allocated efficiently and there were no complaints from any of those consulted.

- **Overall most applicants found applying to the Trust straightforward**, although evidence suggests those who completed the application independently were sometimes uncertain about what information to include on their application.
- **Applicants receiving help through advice agencies were extremely satisfied** with the help and additional advice they were given.
- **Most successful and unsuccessful applicants remain EDF Energy customers** after applying to the Trust.

### ***c) What impacts do the Trust's awards through the Individuals and Families Grants Programme have on individuals and families?***

The impact of the Trust's awards through the Individuals and Families Grants Programme on individuals and families is extremely positive. Payments helped to ease stress and worry and gave many individuals and families a fresh start enabling them to "get back on track" and to gain control of their financial circumstances. These benefits greatly enhanced the mental wellbeing of many recipients and enabled some to take a positive step in moving on with their lives. Evidence indicates that the funding does contribute to improving the longer term ability of individuals and families to pay their fuel bills. Our analysis of energy accounts shows that more than half of them remain debt free after six months of receiving help from the Trust, whilst over half of the applicants interviewed by telephone felt that their awareness of ways to save energy and reduce fuel bills had increased since applying to the Trust.

- **EDFET grants have a positive impact on grant recipients** enabling them to gain control over their lives and their financial circumstances which in turn has a beneficial effect on their wellbeing.
- **A majority of awards from the EDFET have been successful** in improving energy customers' longer term ability to pay their energy bills: **more than half** of grant recipients and their associated energy accounts did not return to debt at all in the six months following their award.
- **Many applicants felt they were more aware of ways to save energy and reduce fuel bills** since applying to the Trust. **However, a significant minority of grant recipients have returned to debt** following their award and these

individuals have continued to struggle to pay their fuel bills despite receiving an award.

- **The relationship between the demographic characteristics of award recipients and their ability to remain debt free following their grant is relatively weak.** However, individuals in the 65 and over age category were less likely to return to debt compared to other grant recipients while households with children were more likely to return to debt.

#### **d) What is the impact of the Trust's awards through the Organisational Grants Programme?**

One of the main impacts of the Trust's awards through its Organisational Grants Programme is on the *quality* of the applications made to the Trust. Whilst third sector advice organisations funded by EDFET tend not to generate large numbers of applications to the Trust, they do help people submit high quality applications which are significantly more successful than applications from people not supported in this way. Organisational grants also contribute positively to the organisations that receive them by increasing the capacity of these organisations to deal with a range of financial problems and energy debt issues. Organisational funding helps to develop and further expertise in issues around energy debt, fuel poverty and energy efficiency within the organisations themselves. Organisational grants are currently the only means by which the Trust, through its funded debt organisations, engages with a range of outside agencies working with vulnerable people at risk of financial hardship and fuel debt problems. Although receiving support from an organisation funded by the Trust does not have a significant impact on post award debt, advice centres funded by organisation grants are often assisting some of the most vulnerable members of society who are likely to find it much harder to remain debt free.

- **Although organisations funded by the Trust do not always generate a large number of applications they are able to support people to submit better quality applications which are significantly more successful:** 76 per cent of the applications they support were successful compared to only 39 per cent of applications that were not supported.
- **Receiving support from a Trust funded organisation does not have a significant impact on an individual's ability to stay free of energy debt in the longer term:** the proportion of individuals in receipt of support through a funded organisation who returned to debt was broadly equivalent to those who did not receive support. **However, there was a small indication that receiving support from a Trust funded organisation may reduce the chances of an individual returning to debt over the longer term** (i.e. after 12 months). Although not significant, due debt figures for individuals who had received help through EDFET funded organisations were 26 per cent compared to 29 per cent for those who had not received such assistance.
- **Advice centres funded by organisation grants are often assisting some of the most vulnerable members of society.** Many of their clients experience mental health problems, difficulties with literacy and numeracy and are likely to be less well equipped to remain debt free.
- **But the holistic debt advice and support to develop sustainable lifestyles provided by funded debt organisations probably gives their clients the best chance of staying out of debt in the future.**



- **Organisations in receipt of grants from the Trust are overwhelmingly positive about the benefits the funding has.** Organisational grants are an important source of income for the debt advice organisations that receive them and help to increase their capacity to deal with more clients with broader financial problems and energy debt issues.
- **Organisational grants also help to increase the reach of debt advice organisations** and can be a means by which they develop partnerships with outside agencies and access vulnerable and previously hard to reach groups.

#### ***e) Do organisational grants provide ‘value for money’?***

The main consideration when assessing whether organisational grants provide ‘value for money’ is what is the role of organisational grants? Are they just about generating applications to the Trust or are they more concerned with the Trust’s second charitable object of “prevention and relief of poverty by educating the public in relation to debt awareness and prevention”? Interviews with stakeholders suggest there are a range of views on this issue and perhaps some confusion about the purpose of organisational grants. This may in itself reflect the fact that the focus of EDFET’s Organisation Grants Programme has shifted from that of generating awareness of the Trust and applications to it, to providing more holistic debt advice from the end of 2009 onwards.

If organisational grants are solely viewed to be about numbers of applications then it could be argued that they do not provide ‘value for money’. However organisational funding generates high quality applications to the Trust which are significantly more successful than applications which do not receive this support.

With regard to the relief of poverty by educating the public in relation to debt awareness, there is no significant evidence that such funding dramatically improves the chances of people receiving help from funded organisations being more able to stay out of debt compared to those who do not receive this support. But debt advice agencies are often dealing with extremely vulnerable individuals with complex debt cases and evidence from the case studies suggests that the additional holistic debt advice that individuals receive is likely to provide clients the best chance of being able to manage their money in the future. In addition it should be noted that whilst EDFET funded debt advice organisations and projects do not always submit large numbers of applications to the Trust, they do advise and educate many more clients (who are both EDF Energy customers and non EDF Energy customers) and probably contribute to the relief of poverty more generally.

Other considerations which may be overlooked when assessing value for money are the benefits to the recipient debt advice organisations that organisational grants deliver. They also provide the main means by which awareness of the Trust is raised with a range of other external organisations and agencies working with vulnerable people. Finally, individuals who apply for help to the Trust with the help of EDFET funded organisations are overwhelmingly positive about their experience and the specialist help received.

#### ***f) How can awareness and promotion of the Trust be raised?***

Very few people were aware of the Trust before they applied for help. More generally, people were unaware that such help with fuel bills and other debts existed and was available from different charitable trusts before they applied. Most applicants found out about EDFET through their energy supplier which in most cases was EDF Energy, or through third sector debt advice organisations.

- **A way of maximising EDFET's impact and increasing awareness of the Trust would be for EDF Energy to include information about the Trust on fuel bills.** Customers could be directed to help available at their local debt advice organisation or EDFET funded project. This would help support the Trust and the Organisational Grants programme by helping to generate enquiries and self-referrals to debt organisations which in turn would increase the number and quality of applications submitted to the Trust.

#### ***g) What are the options for the future constitutional basis of the Trust to maximise public benefit to ensure the charity contributes to meet the public benefit requirement under the Charities Act 2006?***

The Tribunal Decision<sup>1</sup> confirmed that the removal of the presumption of public benefit in the 2006 Act had not altered case law on the matter of what constitutes a sufficient section of the public. A charity operating on the former lines of EDFET (pre-April 2011), with support restricted to EDF Energy customers, therefore remains a real possibility if the trustees felt it were right to go back to this approach.

However, stakeholders generally regarded the widening of the pool of those who can apply to the Trust as a good thing and it seems unlikely that the Trust would want to return to a situation where only EDF Energy customers were eligible for grants. An important issue longer term is whether energy companies need the identity of specific trusts like EDFET linked to specific companies or whether there is scope to develop a single trust supported by the major energy providers. Although competitive pressures may make a single trust difficult to achieve and there were a number of concerns raised about this option some stakeholders thought it should be considered. Any decision on this issue will depend on whether the Government continues to accept the value of charitable donations as meeting part of the energy companies' obligations under the Warm Home Discount but so long as it does, it would presumably not require each company to have its own separate trust (particularly in the light of the latest development in charity law). A major strategic decision for the trustees of EDFET is therefore to consider whether or not to begin a process of exploring such a route.

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<sup>1</sup> Upper Tribunal (Tax and Chancery) case FTC/84/2011: Decision 20 February 2012.

## 1. Introduction

This report has been prepared at the final stage of a research project for the EDF Energy Trust (hereafter referred to as EDFET or the Trust). The main aim of the research is to provide evidence and learning which will support EDFET trustees to meet their operational objectives for 2011 and which will help the trustees and EDF Energy shape the future direction of the Trust in meeting its overall aims.

The Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University was contracted by EDFET September 2011 to evaluate the Trust's performance. The project was carried out between September 2011 and January 2012 culminating in this final report which will be presented to trustees on 7th February 2012. Findings from an earlier interim report were presented to trustees at a meeting on 3rd November 2011.

The research itself is retrospective looking at the operation and impact of the Individuals and Families Grants Programme, and the Organisational Grants Programme, between 1 January 2009 and 31 March 2011 to address a number of core, and subsidiary, research questions:

- a) is the Trust meeting its objective to target individuals and families in hardship?
- b) what are applicants' experiences of applying to the Trust?
- c) how effective are the Trusts' processes to allocate funding?
- d) what impacts do the Trust's awards through the Individuals and Grants Programme have on individuals and families?
- e) what is the impact of the Trust's awards through the Organisational Grants Programme?
- f) do organisational grants provide 'value for money'?
- g) how can awareness and promotion of the Trust be raised?
- h) what are the options for the future constitutional basis of the Trust to maximise public benefit to ensure the charity continues to meet the public benefit requirement under the Charities Act 2006?

The research has involved six tasks:

- inception
- analysis of data on EDFET applicants and award recipients, including post-award energy debt
- in depth interviews with stakeholders including trustees, senior staff at Charis Grants Ltd and senior representatives at EDF Energy (the charity's donor)
- telephone interviews with a sample of successful and unsuccessful applicants
- case studies of a number of organisations receiving organisational grants from the Trust
- reporting and Dissemination (outputs).

The rest of this main report is structured as follows:

**Chapter 2** provides information about each of the research tasks and outlines the work completed for the final report. It also provides a brief context to the study.

**Chapter 3** gives an overview of applications to the Trust and awards made by it.

**Chapter 4** explores the experiences of those applying to the Trust and examines the impact of the Individuals and Families Grants Programme on applicants.

**Chapter 5** looks at the impact of the Trust through its Organisational Grants Programme and assesses how organisational grants contribute to applications to the Trust, the impact on funded organisations and the individuals they support.

**Chapter 6** details stakeholders' views of the nature of the Trust's grant making and its longer term strategy.

**Chapter 7** concludes the report by returning to the main research questions of the study.

**Annex One** provides technical background by detailing charity law issues for the Trust at this time, and their implications for the charity's future strategy.

## 2. Study Context and Tasks

### 2.1. Introduction

This chapter briefly outlines the context for this study in light of the changing nature of charitable law and rising levels of fuel poverty. The chapter also provides detail of each of the research tasks undertaken and discusses any issues with data collection.

### 2.2. Context

With regard to the main issues for consideration in the study, EDFET is facing crucial issues which are at the forefront of the changing nature of charitable status in the light of the Charities Act 2006. For benevolent charities like EDFET, there is considerable debate as to how wide the nexus of beneficiaries has to be in order to meet the public benefit requirement. This study cannot answer the underlying issues of charity law (which largely will depend on the outcome of the Attorney General's Reference to the Charity Tribunal regarding benevolent charities. See Annex One for further discussion) - but a focus of this study has been to explore strategy questions about the Trust's short term and long term strategy so that the trustees can take appropriate decisions.

In terms of the Trust's key field of grant-making, EDFET is operating at a time when the number of households experiencing fuel poverty is increasing. Latest estimates suggest there are some five million fuel poor households in the UK. Figures for England show that four million households were fuel poor in 2009 and over three million of these were classed as vulnerable<sup>2</sup>. Recent rises and projected increases in standard fuel costs and cuts in the Government's welfare budget are likely to see more vulnerable households falling into fuel debt. The range of measures designed to tackle the problem of fuel poverty usually address issues relating to income, fuel bills and the thermal efficiency of homes. However, the failure to achieve the Government's 2010 fuel poverty target to end fuel poverty for vulnerable households suggests that the current range of remedial actions is not working. New policies such as the Warm's Homes Discount and the Energy Company Obligation signal growing emphasis on focusing resources on those in greatest need but it is unlikely that these initiatives will help all those who are at risk of falling into energy debt. At this time there is a need to provide research evidence which demonstrates the public benefit of measures such as the EDFET's Fund to help those in fuel poverty, and to also determine the effectiveness and impact of the Trust's activities.

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<sup>2</sup> Figures are taken from the Annual Report on Fuel Poverty Statistics 2011, Department of Energy and Climate Change (DECC). A vulnerable household is one that contains the elderly, children or someone who is disabled or has a long term illness.

## 2.3. Inception

An inception meeting with Charis Grants Ltd, the Vice Chairman of EDFET and members of the research team from CRESR was held on 12th September 2011. This provided background information on Charis Grants Ltd and the context within which the Trust has commissioned the research project. The meeting also focused on the data available and any issues with data, as well as data protection and transfer issues. Relevant contacts and documentation for the stakeholder interviews were obtained and issues relating to applicant telephone interviews and case studies of organisational grants discussed.

## 2.4. Data Analysis

Data analysis provided evidence on: the characteristics of those applying to the Trust; the effectiveness of the Trust's processes to allocate funding, the relative success rate of individual applicants applying unaided or with the support of an EDFET funded debt organisation; the extent to which successful applicants have remained debt free.

A database of EDFET applicants and award recipients covering the period January 2009-March 2011 (provided by Charis Grants Ltd) and a database of Trust award recipients from the same period who had fallen back into debt with EDF Energy following their award (provided by EDF Energy) was obtained. Initial analysis undertaken for the interim report included a preliminary assessment of the following:

- applications to the EDFET
- awards made by the EDFET
- the impact of the Trust's awards in preventing EDF Energy customers from returning to debt
- the impact of EDFET organisational grants on Trust applications.

For this main report additional information was obtained and further analysis undertaken. This involved linking data on the characteristics of grant recipients with data on post-grant energy debt; obtaining and analysing data on the financial situation of grant applicants, including an assessment of their fuel poverty status; accessing further primary and secondary data on energy account payment methods and exploring the links with energy debt.

## 2.5. Stakeholder Interviews

The main aim of the stakeholder interviews was to gather evidence which will help the Trust to address strategic issues relating to the future of its operation, in terms of the key issues around the public benefit requirement under the Charities Act 2006.

Most interviews were conducted in October 2011 with six stakeholders in total including: three trustees, two staff members at Charis (interviewed together) and an EDF Energy representative. After the presentation of interim findings to the trustees' meeting in November it was felt that the balance of interviews did not adequately represent the donor's perspective on aspects of the Trust's activity such as organisational grants. An additional interview with a Director of EDF Energy was undertaken in December. The results from the stakeholder interviews presented in this report take account of this further interview plus a more detailed analysis of views of stakeholders interviewed previously. This main report also includes a fuller

interpretation of the implications of charity law issues in light of the Attorney General's Reference to the Charity Tribunal (which has now been heard).

## **2.6. Telephone Interviews with Applicants**

The main aim of these interviews was to assess the impact of being awarded (or not awarded) an individual grant on the lives of applicants and their families and to explore applicants' experiences of the application process. Interview schedules were drafted, circulated and agreed with Charis Grants Ltd in October 2011. Using data from Charis Grants Ltd and EDF Energy a total sample of 100 customer references was drawn. The sample of 50 successful applicants and 50 unsuccessful ones was randomly selected from a total number of 2,925 applicants who had applied for individual grants in the last quarter of 2010 and the first quarter of 2011. More recent applicants were chosen to maximise the likelihood of contact details being up to date, and to ensure that applicants would be recalling a relatively recent experience.

It was originally hoped that interviews with ten successful and ten unsuccessful applicants would be undertaken. In total 19 interviews were completed, ten with successful applicants and nine with unsuccessful ones. The breakdown of applicants interviewed broadly represents the demographic characteristics of Trust applicants. Thirteen were women (68 per cent) and most applicants consulted were aged between 35 and 64. We interviewed a higher proportion of older people aged over 65 and did not manage to interview any younger applicants under 34. According to data records one applicant interviewed would have fallen into this age category at the time they applied for an individual grant. Records also show that almost half of those interviewed (8) were living alone when they applied for help and just over a quarter (5) were living in households with children. As such over two thirds of the applicants interviewed were either from families with children (including single parent families) or people living alone. This compares to a figure of about eight out of ten applicants for the Trust more generally.

In terms of the category of grant applied for, those interviewed had applied for a good mix of the different types of assistance available from the Trust. A quarter (6) had applied for help with EDF Energy gas and electricity bills and a further assistance payment, around a fifth (4) had applied for help with gas and electricity bills. Three had applied for EDF Energy electricity assistance and three for EDF Energy gas assistance. Two interviewees had applied for a further assistance payment alone and one for electricity assistance with a further assistance payment. Figures for the Trust as a whole show that the largest proportion of applications between January 2009 and March 2011 were for electricity assistance (28 per cent), 22 per cent of applications were for both gas and electricity assistance and 14 per cent of applications were for combined gas, electricity and further assistance payments. (Also see Chart 3.2 later in the report for a full breakdown of categories of applications and awards).

## **2.7. Case studies of Organisational Grants**

Case studies were undertaken to assess the impacts of the activities funded by the Trust under its Organisational Grant Programme, both on the recipient organisations and on the individuals they support. The case studies explored whether the Trust's funding has helped raise awareness of the Trust and enabled advice workers to assist eligible clients to apply for grants and help them to stay debt free by signposting them to energy efficiency advice. They also explored issues relating to project implementation, how funding affected money advice organisations and the impact on applicants and beneficiaries.



Details of EDFET organisational grant projects were received in October from Charis Grants Ltd and a 'long' list of possible case studies drawn up. Case study templates were also drafted, circulated and agreed with Charis Grants Ltd at this time. Further background information and performance data for each organisation was obtained from Charis Grants Ltd including latest monitoring reports. After reviewing this information four organisations were chosen as case studies.

- Bristol Debt Advice Centre
- East London Financial Inclusion
- Westminster Citizens Advice Bureau
- Thurrock Citizens Advice Bureau.

These organisations represented a mix in terms of their location, funding, targets and performance and included organisations that were performing well (Bristol and Westminster), those not achieving their targets (Thurrock) and one organisation which had its funding withdrawn (East London Financial Inclusion).

Two additional organisations were also chosen as reserves: Brighton and Hove Citizens Advice Bureau and Medway Citizens Advice Bureau. Medway is performing reasonably well and Brighton is performing poorly and recently had funding withdrawn.

Unfortunately East London Financial Inclusion declined to take part. This organisation had its funding withdrawn at the end of September 2011 and a member of staff had lost their job as a result. Although representatives were helpful and friendly, the organisation was reluctant to participate in the research due to the resource implications. As a result we substituted East London Financial Inclusion with Medway Citizens Advice Bureau. We also conducted two additional interviews with staff from Brighton and Hove Citizens Advice Bureau which ensured that evidence from an organisation from which funding had been withdrawn was gathered.

Case studies were undertaken on the following dates:

Bristol Debt Advice Centre	10th November 2011
Westminster Citizens Advice Bureau	1st December 2011
Thurrock Citizens Advice Bureau	2nd December 2011
Medway Citizens Advice Bureau	5th December 2011

Each case study involved a researcher visiting the selected organisation and undertaking in-depth interviews with the centre manager / coordinator, the funded advice worker(s) and with individual applicants who had applied for a grant from the Trust with support of the organisation concerned. In total 10 such individual applicants were interviewed as part of these case studies (this is in addition to the applicant interviews reported in chapter 4). Most had successfully applied for assistance and one couple (interviewed together) were awaiting a decision on their application from the Trust.

We also administered a short email survey to 51 other organisations (i.e. that were not included in the organisational case studies) which had received organisational grant funding including those that had received small grants. In all thirteen organisations responded to the questionnaire (25 per cent) including three large grant recipients and ten small grant recipients. The organisations ranged from small level community organisations to large voluntary sector advice providers and housing associations.



## 2.8. Reporting and Dissemination

Two reporting dates were stipulated for the project:

Interim Report 3rd November 2011

Final Report 7th February 2012.

## 3. The reach of EDF Energy Trust Grants

### 3.1. Introduction

This chapter provides analysis of a database of EDFET applicants and award recipients covering the period January 2009-March 2011<sup>3</sup> (provided by Charis Grants Ltd ) to give an overview of *applications to* and *awards made by* the EDFET. Collectively these analyses provide a picture of the reach of the Trust's grant making activity.

### 3.2. An overview of EDF Energy Trust applications and awards<sup>4</sup>

Between January 2009 and the end of March 2011 the EDFET received **15,148 grant applications** from EDF Energy customers in debt in their energy accounts and experiencing financial hardship. During this period **6,328 grants** were awarded to individual households with a total value of **£4.8 million**. The **average (mean) value of these grants was £763** and included payments to households' electricity and gas accounts as well as payments for 'further assistance' to cover various other household debts such as council tax arrears, and other household needs such as replacement domestic appliances. **8,896 payments** were made in total. There were:

- 4,812 electricity payments with an average value of £575
- 3,320 gas payments with an average value of £545, and
- 764 further assistance payments with an average value of £329.

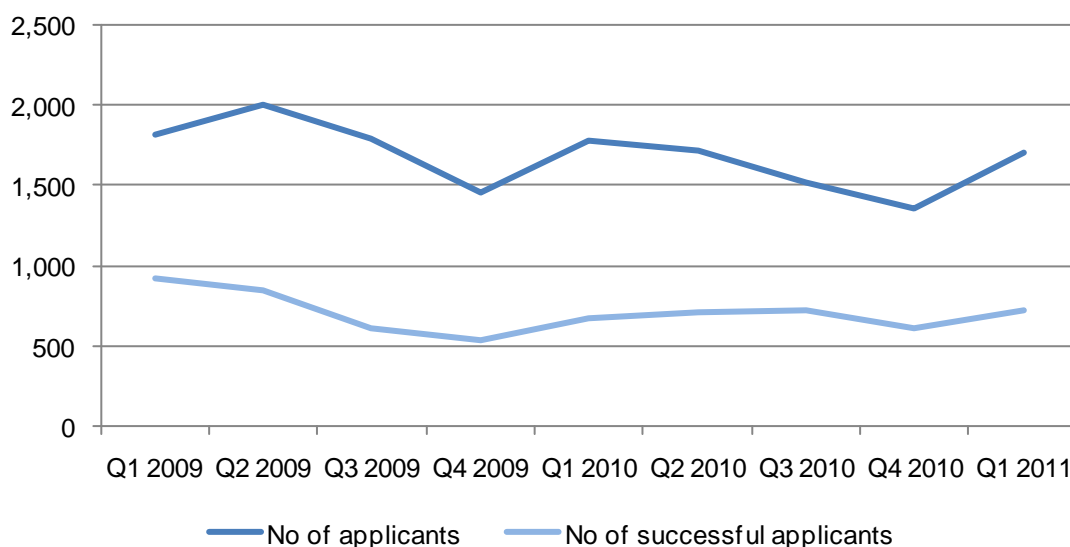
During this period the number of applications and awards remained relatively consistent but need for support does appear to be greater during the winter months. As is demonstrated in chart 3.1 below, applications and awards tend to peak in the first two quarters of the year and drop-off in the summer and autumn months.

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<sup>3</sup> The January 2009 start date for the data was selected to allow sufficient time to have elapsed post-grant to explore the extent to which award recipients return to debt with their energy accounts. March 2011 was selected as the cut-off point to reflect the change in Trust policy to extend the area of benefit to customers of any energy company, not just EDF Energy.

<sup>4</sup> Please note that a number of the facts and figures regarding Trust applications that are presented in this chapter differ slightly to those presented in the Interim Report. This is the result of additional data cleansing and analysis undertaken since then. However, the underlying trends reported in the Interim Report remain unchanged.

**Chart 3.1: EDF Energy Trust quarterly applications and awards (Jan 2009-Mar 2011)**



Source: Charis Grants  
Base: 15,148

The Trust has also made a series of grants to local level advice organisations. This includes **large grants** (16 grants) to cover the revenue cost of employing advice workers to support potential applicants to the Trust and **small grants** (45 grants) to cover one-off capital expenditure for items such as IT equipment and training for staff and volunteers. These grants provided **55 organisations** with funding worth nearly **£1.3 million** between January 2009 and March 2011.

The rest of this section provides a detailed analysis of the key features of *applications to* and *awards made* by the Trust between January 2009 and March 2011. It covers the types of applications and awards made, demographic characteristics, how applicants became aware of the Trust, and the size of awards made. Data is presented for all applicants to the Trust and broken down by successful (i.e. award recipients) and unsuccessful (i.e. rejected) applicants.

### 3.3. Types of application and award

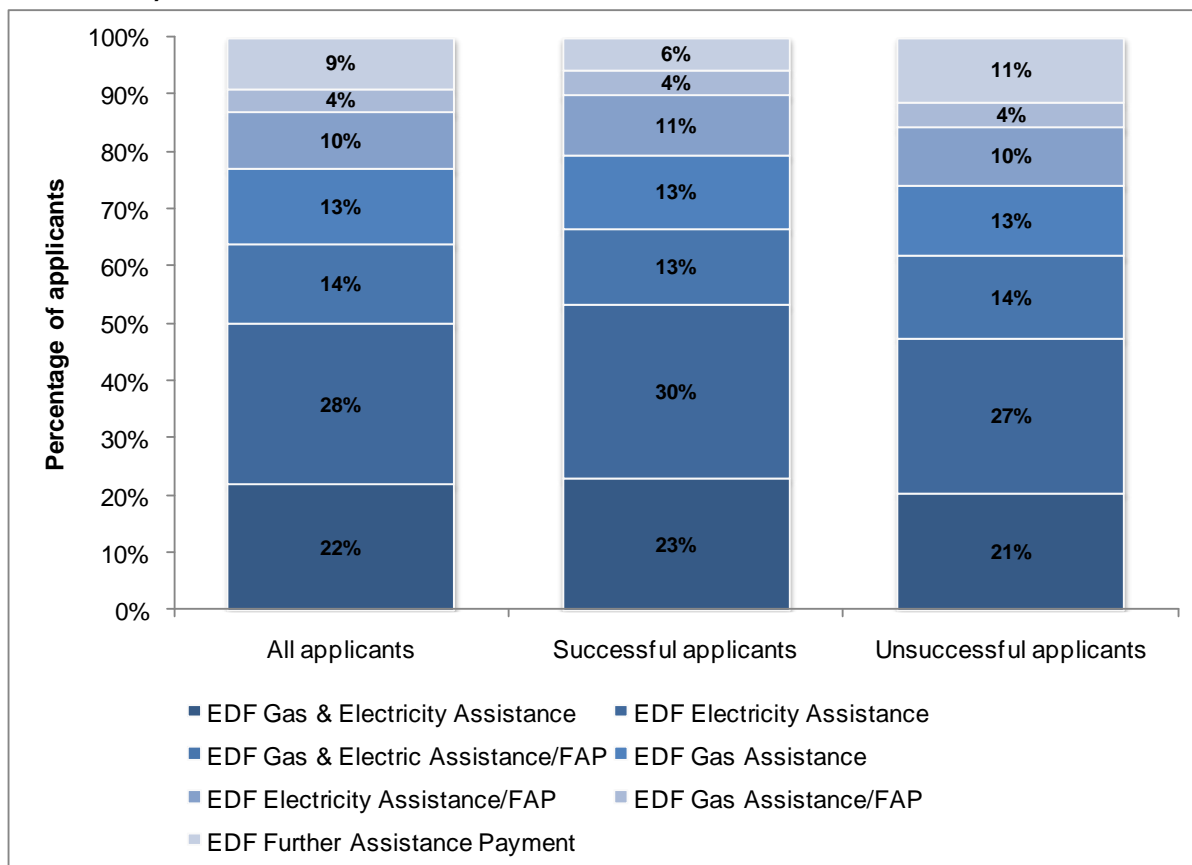
The Trust receives applications under a series of categories linked to the nature of each applicant's energy debt. These are:

- electricity assistance
- gas assistance
- Further assistance payments (FAP).

People can apply under one category or a combination of categories depending on their circumstance.

The distribution of applications and awards between January 2009 and March 2011 is outlined in more detail in chart 3.2.

**Chart 3.2: EDF Energy Trust - categories of applications and awards (Jan 2009-Mar 2011)**



Source: Charis Grants  
Base: 15,148

This shows that the largest proportion of applications and awards were made for electricity assistance (28 per cent of applications; 30 per cent of awards) followed by combined gas and electricity assistance (22 per cent of applications; 23 per cent of awards) and combined gas, electricity and further assistance payments (14 per cent of applications; 13 per cent of awards). Collectively these three categories accounted for about two-thirds of Trust applications and awards.

Two further findings also stand out. First, nearly half of all awards (46 per cent) were made to support combined electricity and gas debt. Second, more than a third of applications and awards included a further assistance payment. Together these findings indicate that energy debt is often not isolated to a particular type of energy and that individuals' and families experiencing energy debt are likely to face other types of financial difficulty as well.

### 3.4. Demographic characteristics

The Trust application process captures a range of data about the demographic characteristics of the lead applicant and the household for which they are applying. This enables an assessment of the reach of the Trust's funds and the characteristics of families and households that are struggling to pay their energy bills.

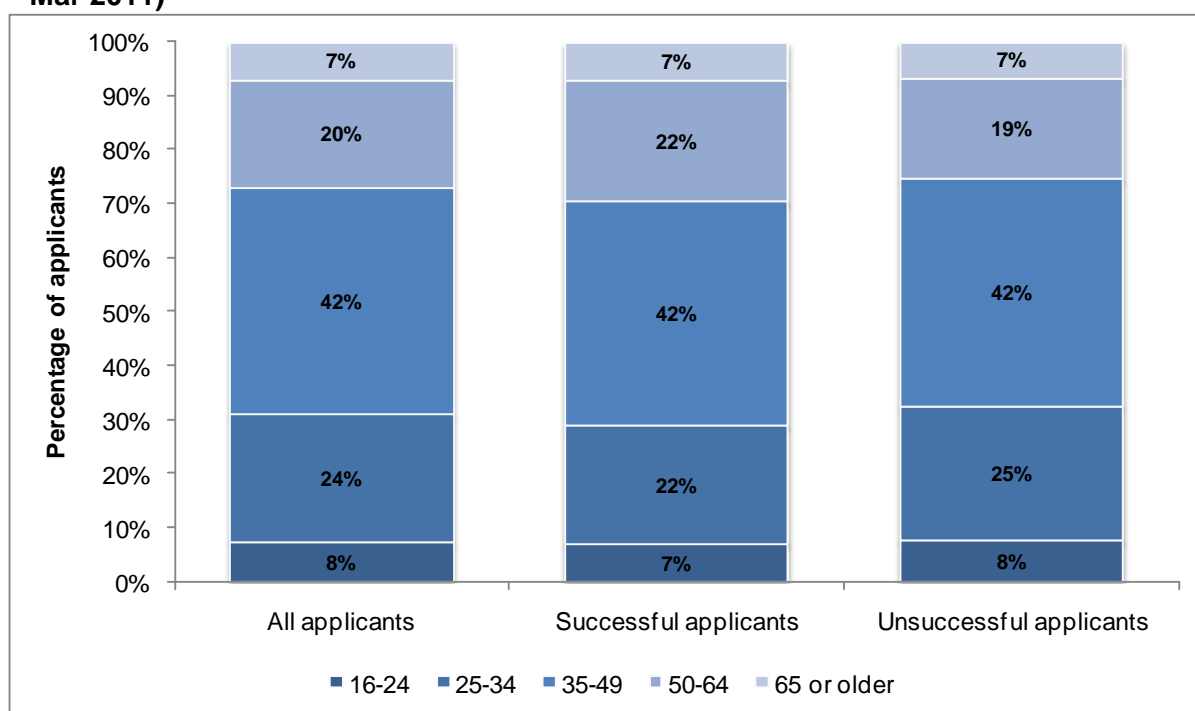
### a) Gender

More than two-thirds of Trust applicants (68 per cent) and award recipients (68 per cent) were women (Base: 14,715<sup>5</sup>). This may simply reflect that women are more likely to apply on behalf of a household than men but it could also be an indication of the types of household experiencing energy debt that are more likely to be headed by women e.g. single parent families.

### b) Age

The distribution of Trust applicants and award recipients according to age group is outlined in chart 3.3.

**Chart 3.3: EDF Energy Trust - age group of applications and awards (Jan 2009-Mar 2011)**



Source: Charis Grants  
Base: 13,884

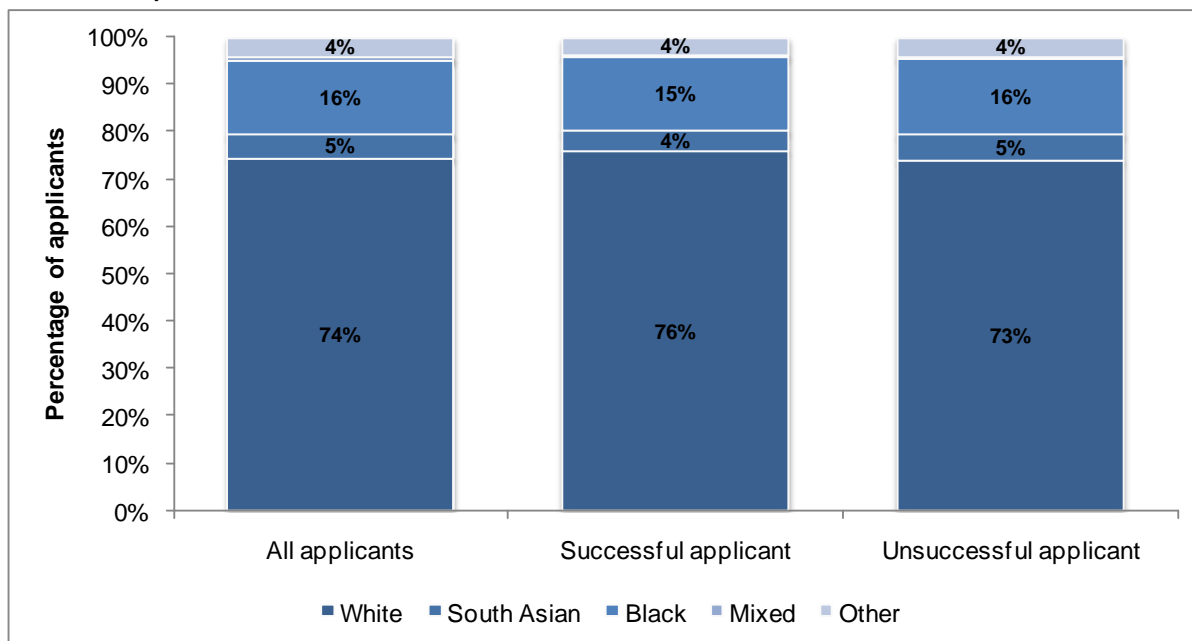
This shows that more than two-fifths (42 per cent) of applicants and award recipients were aged between 35 and 49 and around a quarter were aged between 25 and 34 (24 per cent of applicants; 22 per cent of awards) and older than fifty (27 per cent of applicants; 29 per cent of awards).

### c) Ethnicity

The distribution of Trust applicants and award recipients according to their ethnicity is outlined in chart 3.4.

<sup>5</sup> Base figures quoted in this chapter are subject to the amount of data available and vary for different sub groups.

**Chart 3.4: EDF Energy Trust - ethnicity of applications and awards (Jan 2009-Mar 2011)**



Source: Charis Grants  
Base: 11,313

This shows that around three-quarters of applicants and award recipients were from a white background. About one in seven applicants and award recipients were of black ethnic origin and about one in twenty were of South Asian or some other ethnic origin.

#### **d) Disability**

Almost one in ten (9 per cent) applicants and award recipients identified themselves as suffering from a disability (Base: 15,148).

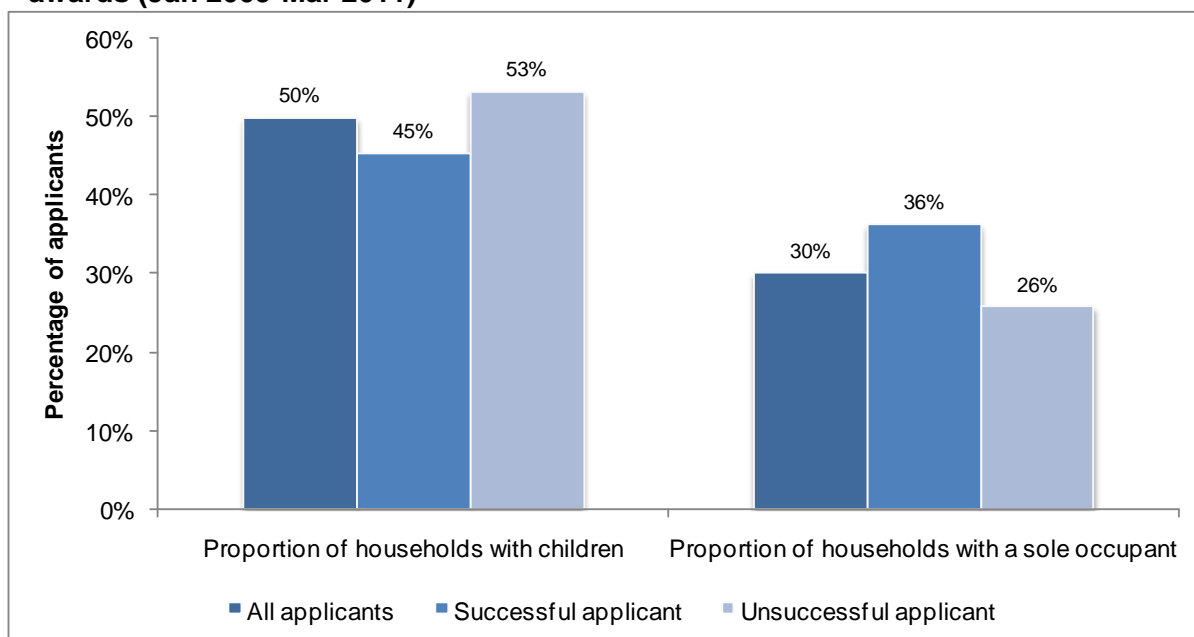
#### **e) Household composition**

The information collected through the application process also provides a picture of the household composition of grant applicants and recipients. This includes the extent to which grants were applied for and accessed by households with children, single parent households and sole occupancy households. This is outlined in more detail in chart 3.5 (overleaf) which shows that around half of applicants (50 per cent) and award recipients (45 per cent) were from households with children and around third of applicants (30 per cent) and award recipients (36 per cent) were from households with a sole occupant. It can also be estimated that more than two fifths of applicants (44 per cent) and award recipients (42 per cent) were from single parent households and that of these households, more than nine out of ten (94 per cent) were headed by a woman<sup>6</sup>.

These findings indicate that about eight out of ten applicants and award recipients were either from families with children (including single parent families) or people living alone.

<sup>6</sup> The figures for single parent families should be treated with some caution as it was only possible to determine this level of data for 71% of the sample and the figures might not be wholly representative of the wider pool of applicants.

**Chart 3.5: EDF Energy Trust - household composition of applications and awards (Jan 2009-Mar 2011)**



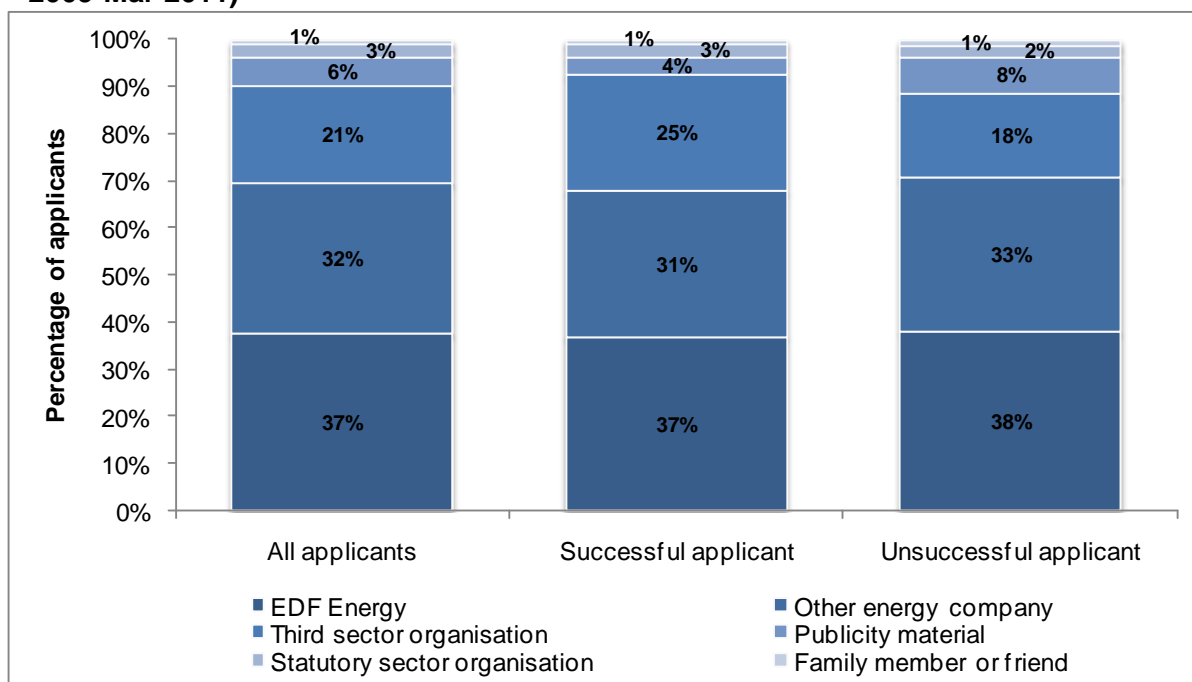
Source: Charis Grants  
Base: 15,148

### 3.5. Finding out about EDF Energy Trust

When completing the application form people requesting assistance from the Trust are asked to identify how they found out this type of support that was available. Responses included EDF Energy and other energy companies, voluntary and public sector bodies, and family and friends. The distribution of these responses is outlined in chart 3.6 (overleaf).

This shows that more than two thirds of applicants and award recipients (69 per cent) found out about the Trust through their energy supplier: more than half of this group found out through EDF Energy while the remainder found out through another energy company. It is interesting to note that more than a fifth of applicants (21 per cent), including a quarter of successful applicants (25 per cent) found out about the Trust from a third sector organisation. This highlights the important role third sector organisations like Citizens Advice Bureaus (CABs) play in supporting individuals experiencing energy debt and associated problems.

**Chart 3.6: EDF Energy Trust - how applicants became aware of the Trust (Jan 2009-Mar 2011)**



Source: Charis Grants

Base: 9,797 - the remaining 5,351 applicants did not answer this question on the application form

### 3.6. Comparing fuel poverty and energy debt

As part of the research we were also able to access data on a small subsample of successful (146 cases) and unsuccessful (135 cases) applicants to the Trust between July 2010 and February 2012 which contained data on their household incomings, outgoings and debt to enable an assessment of the extent to which they could be considered 'fuel poor'. In the UK, fuel poverty is said to occur when a household needs to spend more than ten per cent of its income in order to heat its home to an adequate standard of warmth. Based on the data provided, it can be estimated that 62 per cent of successful applicants and 56 per cent of unsuccessful applicants were suffering from fuel poverty. This data also showed that 32 per cent of successful applicants and 51 per cent unsuccessful applicants had weekly outgoings that were higher than household income.

These findings suggest there is a reasonably strong relationship between fuel poverty and energy debt, and between financial hardship and energy debt. To some extent this relationship is reinforced by the demographic characteristics discussed above: levels of fuel poverty are highest amongst all single person households - working age singles as well as lone pensioners - and are next highest in single parent households.

In this context the relatively low proportion of applications and awards involving pensioners may be a surprise: less than one in ten applicants (eight per cent) and award recipients (seven per cent) were from people over 65 and only four per cent of applications and five per cent of awards involved lone pensioner households. Furthermore, of the applications and awards to single person households only about one in seven involved lone pensioners.



### 3.7. Conclusion

This chapter of the report has discussed the analysis of data on Trust applications and awards. From this analysis several key findings stand out.

- **The EDFET has considerable reach:** more than 6,000 households received awards between January 2009 and March 2011. These awards covered a broad range of age categories, ethnic groups and household types, and were spread across UK nations and regions.
- **Households that struggle to pay their energy bills tend to be struggling financially more generally:** nearly half of all awards were made to support combined electricity and gas debt and almost a third of awards included a further assistance payment.
- **Energy account debt is a particular problem for households with children, single parent families and people living on their own:** together these three groups make-up eight out of ten Trust applicants and award recipients. Nationally these household types experience the highest levels of fuel poverty.
- **Most applicants find out about the Trust from their energy supplier but third sector organisations are also important** for raising awareness of the Trust: more than a fifth of applicants finding out about the Trust from an independent third sector advice provider.
- **There is a relationship between energy debt, fuel poverty and financial hardship:** it is estimated that more than half of Trust award recipients are fuel poor and about a third of these households spend more money than they receive on a weekly basis.
- **Pensioners, including lone pensioner households, appear underrepresented** in Trust applications and awards, particularly as this group is known to be amongst the worst affected by fuel poverty but more research would be needed to understand why this is.

## 4. The impact of EDF Energy Trust Individuals and Family Grants Programme

This chapter draws on a range of quantitative and qualitative data to discuss the impact on individuals of the Individual and Families Grant Programme awards made by the EDFET between January 2009 and March 2011. The chapter also explores applicants' experiences of applying to the Trust for these grants.

The quantitative analysis is based on a database of Trust award recipients who have fallen back into debt with EDF Energy following their award (using data provided EDF Energy and combined with data from Charis Grants Ltd) and is employed to consider the impact of EDFET awards to individuals by exploring the prevalence and characteristics of post-grant energy debt.

The qualitative analysis is based on 19 telephone interviews with a sample of successful (ten) and unsuccessful applicants (nine) who had applied to the Trust, and on ten face to face interviews with mainly successful applicants undertaken as part of the case studies. The qualitative data provides information about applicants' experiences of applying to the Trust and presents powerful evidence on the impact of EDFET grant awards on beneficiaries.

### 4.1. Experience of the Application Process

Of the 19 applicants interviewed by telephone, eleven had applied for assistance from the EDFET with help from a Citizens Advice Bureau (CAB) or Debt Advice Agency and eight had applied independently to the Trust. In all ten applicants had found out about assistance available from the Trust through their local debt advice organisation or CAB, eight through their energy supplier EDF Energy and one was given information by their landlord. The vast majority of people interviewed by telephone and for the case studies had not applied elsewhere before they applied to the Trust and were not aware that such help was available from charities like EDFET before they applied.

Overall many applicants consulted (both successful and unsuccessful) found the process of applying to the Trust relatively straightforward. However, applicants who filled out the application on their own expressed some uncertainty about what information they were expected to complete on the form and unsuccessful applicants who applied on their own found the process more challenging. Applicants were reasonably happy with the time applications took (although a few mentioned that it seemed like a long time) and usually felt that once their application was accepted payments happened quickly. One applicant interviewed as part of the case studies who waited three months for a decision said she would have appreciated a call from EDFET just to reassure her that they had received her application and it was being processed. All but one of the 19 applicants said they would consider applying to EDFET again if they needed help in the future, although quite a few were unaware they were entitled to apply again after a given period and one or two said they hoped it would not be necessary.

### **a) Applicants who applied to EDFET with help from an Advice Agency or CAB**

In particular applicants who had received help through their local CAB or debt advice agency described the process as "easy", "straightforward", "simple" because the advice organisation had "done everything" "filled in all the forms" and "completed all the paperwork". Of the ten successful applicants we interviewed by telephone, seven had received help through a local advice agency. Even unsuccessful applicants (four) who received help and advice with their application via an advice organisation generally had similar views of the application process.

Applicants who applied to the Trust with the help of a debt advice organisation or CAB usually benefited from additional debt and money management advice when they applied to the Trust and some from energy efficiency advice. Evidence from the telephone interviews suggested that compared to applicants who applied independently, applicants who applied for an EDFET grant with assistance from an advice agency were perhaps more likely to have complex multiple debt problems and a significant number needed help with bankruptcy. Of the eleven applicants we interviewed by telephone who applied for a grant with organisational assistance, four had gone bankrupt.

The support and advice applicants received from the debt advice organisations included them contacting all debtors and negotiating manageable payments, producing payment plans, providing legal advice, carrying out benefit checks and ensuring applicants were receiving their correct entitlement, helping with applications to a number of different charities and general budgeting advice. Applicants were generally very satisfied with the help they received and six of the above eleven applicants interviewed by telephone mentioned how good it was. Comments included "it was all good" "it was good advice it helped me with repayments" "I was really pleased with it all" "they were absolutely brilliant". One applicant explained that the CAB made regular follow-up calls every fortnight to see how he was doing and whether he was managing to keep up with his payments.

The benefits to individuals of applying to the Trust through an advice agency are perhaps best illustrated by interviews undertaken for the case studies. One client with mental health problems whose benefits had been stopped and who had got into debt as a result was assisted by an EDFET funded CAB. The CAB had contacted all her creditors on her behalf and had helped her get her benefits reinstated. The client felt that the range of help she had received had been particularly important and explained the CAB had:

*"Given me my life back, I couldn't see a way forward but now I'm smiling again. I can't thank them (the CAB) enough for all they have done for me. I have even managed to buy a couple of Christmas presents for my son and I never thought that would happen".*

For a number of clients it was the personal support from a funded debt adviser that was valuable: "if it wasn't for (Name) I would be homeless - I owe her everything". The impact of the Trust through its Organisational Grants Programme will be discussed in more detail in the next chapter of the report.

### **b) Applicants who applied independently**

Successful applicants (three) who completed the application form on their own felt it was "okay" and "not too bad to fill out" but all expressed some uncertainty about what it was that the Trust wanted and what they were expected to put on the form. One applicant explained she felt "left on her own" when completing the form and that it was a "bit of a stab in the dark", whilst another said they did not receive any offer of

support or tips on how to fill the form out when they received it. Another applicant explained that although the application form asked about whether she wanted help with a variety of different kinds of bills and arrears, she was not sure what support she was entitled to and so did not apply for help with her water bills. She also found converting her household costs to a weekly basis difficult as she paid most of her bills by monthly direct debit.

Of the five unsuccessful applicants who completed the application form on their own (or with the help of a friend or relative), three felt that it was *"not difficult"* and the process was *"pretty straightforward"* but involved a lot of photocopying and obtaining documentation, as well as some calculations and working out of income. However, two applicants found the process much harder. One applicant who struggled with written English found the form *"quite difficult"* and explained there were no clues about what the Trust wanted on the form and he was unsure whether listing all his debts would be seen as a good or bad thing by the Trust. He questioned whether his situation would be viewed as irresponsible or whether declaring the full extent of his debts would make it more likely that the Trust would see how much he needed the grant. The other applicant found the process onerous and expensive and talked about the Trust *"wanting to know all your details and banks statements and stuff"* and required *"loads of photocopying"*. She also mentioned the cost incurred photocopying documents and sending the application recorded delivery and difficulty in obtaining medical records.

When applicants who had applied on their own were asked whether they would have liked help with their application responses were mixed. Of the three successful applicants who applied on their own only one said she would have liked help with the application form and felt she would have gone to a debt advice agency for help and advice with her application if she had known it was available; another had tried to contact her CAB about other issues in the past and had never got through, and because she was successful with her application was unsure whether such help was needed or beneficial; the third applicant said she would not have wanted help to apply to the Trust as completing the application was something she wanted to do herself. She also felt that it would be more time consuming to go to a debt advice organisation for help and that it was quicker to do it herself.

Unsuccessful applicants also expressed similar views, although they were perhaps more likely to feel that they would have liked help with their application. Of five unsuccessful applicants who applied on their own, three would have considered going to a debt advice organisation for help with their application if they had known such assistance was available. The other two applicants said they would rather have completed their application independently and felt that going to an advice agency was too time consuming.

#### **4.2. The Outcome and Impact of EDF Energy Trust Awards on Individuals**

Successful applicants were clear about the positive impact EDFET grant awards made to them. Grants enabled applicants to regain control over their financial circumstances which in turn had a beneficial effect on their mental wellbeing. For some the grant was seen as an important first step which helped them to move on with their lives. Not receiving the grant often resulted in unsuccessful applicants having to find help from elsewhere including family and friends. Compared to successful applicants who were able to clear their debts it took unsuccessful applicants up to two years to recover their situation and some were still paying off the arrears on their fuel bills.

For most of the successful telephone applicants (8 out of 10) payments helped them "get back on track", "get on an even keel", "get on top of bills again" and "helped to sort different things". These applicants talked about the relief of pressure, worry and stress that receiving the payment brought about. It gave them "peace of mind" was an "end to sleepless nights", and "felt like a weight had been lifted". A couple of successful applicants interviewed by telephone also felt the grant had been an important turning point which had helped them to feel "more in control" and move forward with their lives. One applicant described how the grant was "an initial stepping stone in a positive direction" which had eventually led to him getting back into employment, another explained how by clearing her energy debts the grant from EDFET had freed up some of her household budget and given her the ability to successfully manage other household bills.

The experience of the nine unsuccessful applicants we interviewed by telephone was very different. As a result of not receiving the EDFET grant, a third were forced to borrow money from family or friends, two had to find money to clear their debts from elsewhere including a benevolent fund, two were still repaying their debts on their energy bills, one applicant felt she had gone bankrupt as a result and one had reapplied to the Trust successfully. A couple of applicants described not receiving the grant as "very stressful". One applicant explained how if she had not been able to turn to family and friends for help then she would not have known what to do or where to turn. Another described having to "live really carefully" to try and get straight again and one explained "it just made things more difficult". He felt not receiving the money at the time had perhaps prevented him buying essential furniture for his new flat and may have resulted in him spending less on food.

When asked whether they understood why their application was not successful, the majority of these applicants (seven) did not. Although a small number of unsuccessful applicants said they could not remember, most did not recall being given a specific reason or explanation as to why their application was unsuccessful. A couple of applicants put forward possible reasons: one applicant who had no dependents felt she was not classed as a vulnerable applicant and her circumstances were not regarded as severe enough; another applicant felt he had down played his situation too much and not conveyed the seriousness of his debts. Only one unsuccessful applicant was clear why her application had failed as she had applied within two years of a previous successful application. Some of these applicants described feeling angry and "upset" at the time and one felt "very disappointed" particularly as she had spoken to someone at EDF Energy who had sounded so positive about her chances of being awarded a grant. A couple of respondents explained that their hopes had been built up, one described feeling really upset and let down and that the experience felt like she was "begging".

### 4.3. Experience of EDF Energy

On the whole applicants were reasonably positive about EDF Energy. A small number of both successful and unsuccessful applicants mentioned that EDF Energy had been "helpful" and "understanding" of their situation. As an example one applicant had contacted EDF Energy after their unsuccessful application to explain he was still struggling with his bills. As a result he was switched to the lowest tariff which helped him with his payments. Similarly, a successful applicant mentioned that EDF Energy were helpful in advising him to move onto a lower tariff. Some applicants had been switched to pre-payment meters and felt it was helpful because it enabled them to control expenditure more easily.

With regard to whether or not applicants remained EDF Energy customers the vast majority of both successful (nine) and unsuccessful applicants (eight) did. Whilst



there were typical responses from both groups of applicants including it being too much hassle to change and there being little point in switching because all energy suppliers were much the same or "*all as bad as each other*", it was apparent that successful applicants did feel some degree of gratitude and loyalty as a result of receiving the grant from EDFET. Four out of the ten successful applicants expressed this opinion. Of the other successful applicants' who stayed with EDF Energy one said they were happy with EDF Energy and were quite satisfied with their pay arrangements, two felt it was too much hassle to change, one saw no point in changing as all energy suppliers were much the same, and one made no comment. The final successful applicant who had not remained a customer had moved to a new property which was supplied by another provider.

However our evidence indicates that it would be unfair to imply that unsuccessful applicants' opinions of EDF Energy were substantially different and that they were not loyal to EDF Energy. A third said they were still happy with the company. Of the rest of this group two expressed reluctance to change because it was too much hassle, two could not change because they remained in debt, and one felt she would change if there was a cheaper company in her area, but recognised EDF Energy's Eco 20:20 tariff was particularly beneficial to her. Only the lone unsuccessful applicant who had switched energy supplier hinted that he may have remained a customer if he had received help from the Trust. He explained that whilst he was not mindful of this fact when he decided to switch supplier, if he had benefited from the grant there may have been some conscious loyalty that would have prevented him from moving to another energy company.

#### 4.4. The prevalence of post-grant energy debt

This section considers the impact of EDFET awards to individuals by exploring quantitative data on the prevalence and characteristics of post-grant energy debt. For the purposes of analysis debt is defined as 'due debt', the debt amount that has passed the payment due date on a customer's energy bill by at least 14 days.

One way of considering the impact of individual awards is to explore the extent to which award recipients return to debt. The analysis below explores the prevalence of post-award debt after three and six months in some detail.

The data provided by EDF Energy shows that, of the awards for assistance made between January 2009 and March 2011 **3,883 associated energy accounts belonging to 2,545 award recipients have returned to debt** at some point since<sup>7,8</sup>. This equates to **48 per cent of the energy accounts** against which Trust payments were made and **40 per cent of individuals that received an award**.

However, not all of that debt would have been considered large enough to qualify for Trust assistance (a minimum debt of £50 is usually required for assistance to be given). Of the **accounts**<sup>9</sup> that have returned to debt:

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<sup>7</sup> It should be noted that this does not mean that 3,883 award recipients returned to energy debt. This data relates to individual accounts (gas and electricity) and as discussed in the previous section many awards have been made for gas and electricity assistance.

<sup>8</sup> A further point to note is that prepayment accounts have been excluded from this analysis as there is often a time lag before the account debt is cleared. This has the effect of making some accounts appear in debt when they in fact are not.

<sup>9</sup> It has not been possible to undertake detailed analysis of debt at the individual level due to the way in which the data is collated.

- 40 per cent (3,216 accounts) have accrued a debt of at least £50 at some point since their award
- 31 per cent (2,525 accounts) have accrued a debt of more than £100
- one per cent (98 accounts) have accrued a debt more than £1,000.

When explored in more detail the EDF Energy data shows that:

- after three months of receiving an award from the Trust:
  - 17 per cent of energy accounts (1,407) were in debt
  - nine per cent energy accounts (771) had debt of £50 or more
  - five per cent of energy accounts (408) had debt of £100 or more
  - average debt was £84.60
  - the total amount owed was £119,000
- after six months of receiving an award from the Trust:
  - 21 per cent of energy accounts (1,715) were in debt
  - 15 per cent of energy accounts (1,230) had debt of £50 or more
  - ten per cent of energy accounts (822) had debt of £100 or more
  - average debt was £133
  - the total amount owed was £228,000.

Of the accounts that had returned to debt after three months, 63 per cent were still in debt (892) after six months. For 75 per cent of these accounts the level of debt had increased during this period. By contrast only 21 per cent had a reduced level of debt and for four per cent the debt had remained the same.

This analysis suggests that, in **a majority of cases**, awards from EDFET have been successful in improving energy customers' longer term ability to pay their energy bills. **More than half** of grant recipients and their associated energy accounts did not return to debt at all in the six months following their award and **four-fifths** were not in debt six months after receiving their award.

However, the analysis also suggests that a significant proportion of grant recipients' energy accounts have returned to debt following their award and that these individuals have continued to struggle to pay their fuel bills despite receiving an award. But it is important to understand that this does not necessarily reflect negatively on the impact of the Trust's grant making. Rather, it highlights the real challenges many households face in being able to pay their energy bills on an on-going basis.

Some of these challenges were also highlighted by the findings from our telephone interviews. Of the ten successful applicants we spoke to, three were concerned about the real possibility of falling back into debt and two had already slipped back into debt again. Of the nine unsuccessful applicants, two still had outstanding debt on their accounts, and three had slipped back into debt. One of these applicants was in the process of reapplying to the Trust for a third time.

Moreover many of the successful and unsuccessful applicants we interviewed were cutting back on fuel usage in order to save money and minimise bills. For a number of applicants this was driven by fear of larger winter bills and the risk of returning to debt. At least four unsuccessful applicants described being much more *“cautious”*,

“sensible” “frugal” and “careful” out of necessity or hardship and not wanting to increase the amount they spent on energy. Two of these applicants mentioned they had previously been in difficulty as a result of high winter bills. Two successful applicants expressed similar sentiments. One commented:

*“The whole experience has made us think more carefully. We feel we have received a reprieve once (from the Trust) and don’t want to get into that situation again so we are being much more careful about our use of gas and electric”.*

A couple of successful applicants also felt quite powerless about saving money because of rising fuel prices and the threat of winter. One applicant explained that she already tried to minimise her use as much as possible and could not really see how her bills could be reduced much more.

Applicants generally felt their awareness of how to save money had increased. Overall 11 of the 19 EDFET applicants (five successful and six unsuccessful) we interviewed by telephone felt they were more aware of ways to save energy and reduce fuel bills since applying to the Trust. Typical strategies to save energy and reduce bills included turning off lights, not leaving appliances on standby or mobiles and games charging, getting rid of or not using tumble dryers, wearing extra clothing, only heating one room, not using the heating in the daytime. Many applicants were employing a number of these actions in order to save money.

#### **a) The characteristics of post-grant energy debt**

The quantitative data analysis also explored the characteristics of **individual award recipients** whose energy accounts returned to debt through a subset of the broader data that identified individuals who had received a grant between January 2009 and March 2010 (i.e. an 18 month period) and returned to debt in either their gas or electricity account in the 12 months following their award. Of this sample:

- 14 per cent had due debt of more than £50 after 3 months
- 26 per cent had due debt of more than £50 after 6 months
- 29 per cent had due debt of more than £50 after 12 months.

The analysis focussed on the characteristics of debt greater than £50 as this is the level at which customers would be considered eligible for a grant from the Trust if they hadn't already received one<sup>10</sup>.

Perhaps surprisingly, the analysis did not identify many strong relationships between the demographic characteristics of award recipients and their ability to remain debt free in the 12 months following their grant. However, two factors of note did emerge:

- individuals in the **65 and over age category were considerably less likely to have due debt** of more than £50 after six months (16 per cent in debt) and 12 months (19 per cent in debt) compared to other grant recipients
- individuals from **households with children were more likely to have due debt** of more than £50 after six months and 12 months compared to from households without children:
  - after six months 29 per cent of individuals from households with children had at least £50 of due debt compared to 24 per cent from households without children

<sup>10</sup> Individuals can only apply for a grant once every six months or two years after a successful application



- after 12 months 30 per cent of individuals from households with children had at least £50 of debt compared to 27 per cent from households without children.

Both findings reiterate the evidence from the previous chapter that energy debt is more likely to be affecting households with children but that older people are less likely to be affected by energy debt than individuals in other (i.e. younger) age categories. While the first of these findings might be expected given what is known about fuel poverty more generally, the second finding appears somewhat counterintuitive, given the prevalence of fuel poverty amongst older people. It seems to indicate that factors other than fuel poverty, such as an individual's financial capability and their social and cultural perceptions of debt, contribute to the likelihood that they will be able to pay their fuel bills.

### ***b) The relationship between payment method and energy debt***

There is known to be a strong correlation between energy debt and payment method, with customers who pay for their energy in arrears by cash or cheque, and those on pre-payment meters far more likely to be in debt than direct debit customers. Chart 4.1 demonstrates this by comparing the payment method of Trust award recipients with data<sup>11</sup> on how UK energy customers pay for their fuel bills. This shows that:

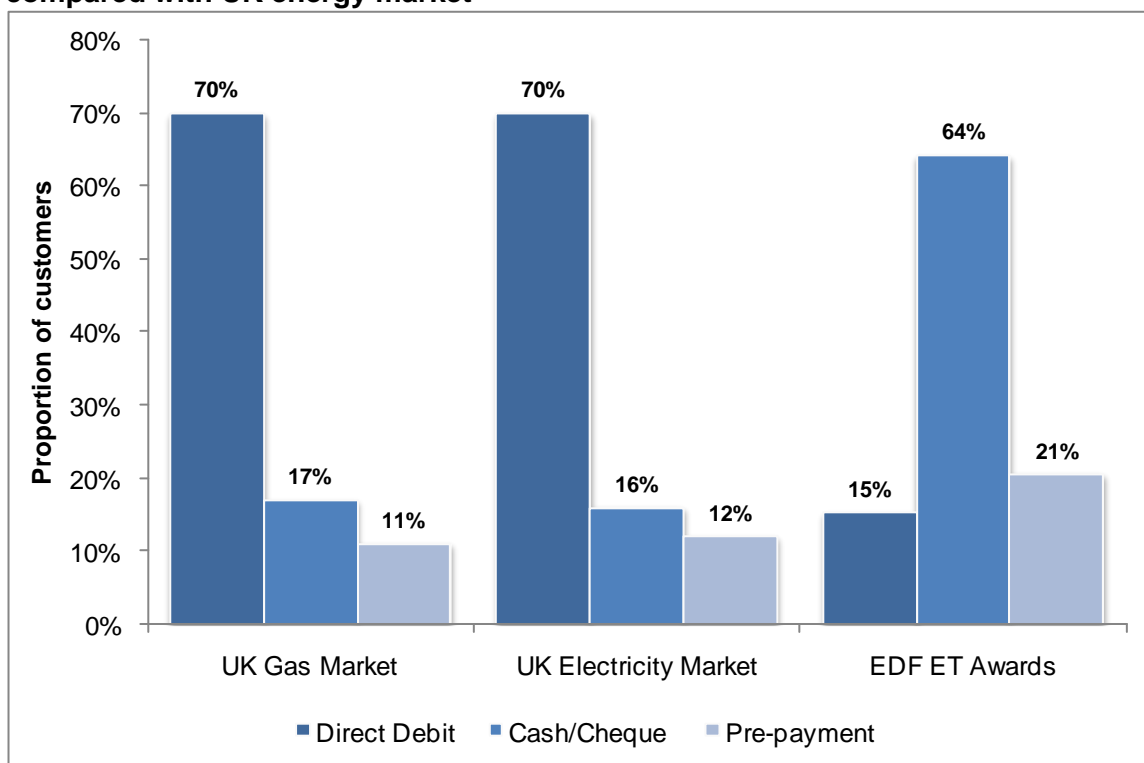
- 70 per cent of gas and electricity customers pay by monthly direct debit compared to 15 per cent of Trust applicants
- 17 per cent of gas and 16 per cent of electricity customers paid in arrears by cash, cheque or other method compared to 64 per cent of Trust applicants
- 11 per cent of gas and 12 per cent of electricity customers paid by pre-payment meter compared to 21 per cent of Trust applicants.

On this basis it had been hypothesised by the Trust that customers that paid by cash or cheque would be more likely than direct debit customers to return to debt after their award. However, analysis of the data does not bear this out: 79 per cent of indebted accounts were paid by cash/cheque and 21 per cent were direct debit customers; this is the same proportion as all grant recipient accounts (once pre-payment meters have been removed).

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<sup>11</sup> Ipsos MORI (2008). *Customer Engagement with the Energy market - Tracking Survey Report prepared for Ofgem*

**Chart 4.1: Energy payment method of EDF Energy Trust award recipients compared with UK energy market**



## 4.5. Conclusion

### *Application Process*

- **Overall most applicants found applying to the Trust straightforward**, although evidence suggests those who completed the application independently were sometimes uncertain about what information to include on their application.
- **Applicants receiving help through advice agencies were extremely satisfied** with the help and additional advice given.
- **Most successful and unsuccessful applicants remain EDF Energy customers** after applying to the Trust.

### *Impact of grants to individuals*

- **EDFET grants have a positive impact on grant recipients** enabling them to gain control over their lives and their financial circumstances which in turn has a beneficial effect on their wellbeing.
- **A majority of awards from the EDFET have been successful** in improving energy customers' longer term ability to pay their energy bills: **more than half** of grant recipients and their associated energy accounts did not return to debt at all in the six months following their award.
- **Many applicants felt they were more aware of ways to save energy and reduce fuel bills** since applying to the Trust. **However, a significant minority of grant recipients have returned to debt** following their award and these individuals have continued to struggle to pay their fuel bills despite receiving an award.

- **The relationship between the demographic characteristics of award recipients and their ability to remain debt free following their grant is relatively weak.** However, individuals in the 65 and over age category less likely to return to debt compared to other grant recipients while households with children were more likely to return to debt.

## 5. The Impact of the EDF Energy Trust Organisational Grants Programme

### 5.1. Introduction

In order to examine the impact of EDFET's Organisational Grants Programme this chapter of the report draws on evidence collected as part of the case studies. It should be noted that an aim of this research project is to assess the impact of the Trust through its organisational grants and it is not the purpose of the study to measure the performance of the funding recipients of this programme. As such we do not evaluate the case studies' performance but assess the evidence collected to look at the effect of organisational grants on applications made to the Trust, on individuals who are supported to apply, their levels of post award debt and on the CABs and debt advice organisations that receive organisational grant funding.

In addition to case study material, the chapter employs quantitative data to assess the proportion of Trust applications supported by debt advice organisations funded through organisational grants and the relative success of these applications compared to applications made to the Trust without such support. Levels of post award debt are also compared.

Finally the chapter uses the findings from a small online survey of organisations that received funding from EDFET between 2009 and 2011 to help understand how the grants have had an impact on the organisations that received them and the benefits for their clients.

### 5.2. Organisational Grants Programme

EDFET awards grants to organisations through its Organisational Grants Programme. In 2010 the Trust offered a Small Grants Programme which awarded one off grants to 45 charitable organisations for small capital items to assist the provision of energy debt advice and the submission of online applications to the Trust. Grants were also offered to debt advice organisations and CAB's to provide holistic money advice to empower clients to manage their money and debt problems in the future. An important component of the funding was to raise awareness of the Trust, train other advice workers on how to submit strong applications and to assist eligible clients to apply. It was hoped that such assistance would also contribute to grant recipients remaining free of energy and other priority debts by helping to signpost them to energy efficiency advice. Nine organisations were awarded grants, including three that were funded in 2007.

*The four case studies included in this project were funded as follows:*

#### **Bristol Debt Advice**

Current funding period: 1st September 2010 – 31st August 2012

Value of grant: £80,000 (2 years' funding)

Previous value of grant: £124,076 (3 years and 3 months)

**Medway CAB**

Current funding period: 1st February 2011 – 31st January 2012

Value of grant: £37,524 (1 year)

Previous value of grant: £52,152 (18 months)

**Thurrock CAB**

Current funding period: 1st February 2011 – 31st January 2012

Value of grant: £33,332 (1 year)

Previous value of grant: £49,526.50 (18 months)

**Westminster CAB**

Current funding period: 1st February 2011 – 31st January 2012

Value of grant: £34,989 (1 year)

Previous value of grant: £48,104 (18 months)

### 5.3. Impact on Applications

As already mentioned one of the main aims of organisational grants is to support applications to the Trust. All the case studies visited indicated that funding from the Trust had increased the number of applications made to EDFET, and all claimed to have seen an increase in applications to the Trust over the past year. This was partly explained by the sheer volume of clients organisations were seeing in relation to debt issues which one organisation claimed had increased three fold over the course of the past year. Another organisation had not experienced its usual slowdown in applications during the 'summer' period (March to September) for the last 18 months.

For each case study, the figure for year one applications at the end of the third quarter of current project funding are shown in the table below, along with the number of clients assisted by the particular EDFET funded projects. It should be noted that not all organisations are at the same stage of funding and as such expectations of what is achievable will vary. The focus of EDFET's funding has also shifted from that of generating awareness of the Trust and applications to it, to providing more holistic debt advice from the end of 2009 onwards. This is reflected in some organisations having low application targets.

**Table 5.1 Clients assisted by EDFET funded projects**

Organisation	Annual Client Target (Year 1)	No. of clients (Quarter 3)	Annual EDFET Application Target (Year 1)	No of EDFET Applications (Quarter 3)
Bristol Debt Advice	400	373	120	100
Medway CAB	200	165	50	32
Thurrock CAB	250	292	125	64
Westminster CAB	300	221	60	55

For Medway CAB applications had increased from the previous funding round of four applications in August to October 2010 to 32 during the same period in 2011. Thurrock CAB had also seen an increase over the life of the funded project from five applications in the second quarter of the project (end January 2010) to a total of 64 by the end of October 2010. Bristol Debt Advice Centre with its longstanding and distinct energy project exceeded its application target at the end of the first year of current funding, whilst Westminster was on target to achieve expected applications.

## 5.4. Factors Limiting Applications

Although the number of clients assisted via EDFET funded projects was often sizeable, for a couple of organisations the number of applications submitted to the Trust was disproportionately low and below anticipated project targets. A number of factors limiting the number of applications to the Trust were identified by the organisations and included:

- **the restriction of the grant to EDF Energy customers only** – Organisations in areas with a sizeable proportion of EDF Energy customers were able to achieve a greater number of applications. A couple of the organisations said they struggled to achieve targets because EDF Energy were not the main supplier in their area, and one had expanded the geographical remit of the project partly to address this issue. This organisation anticipated that the recent expansion of the eligibility criteria to include non EDF Energy customers would increase applications to the Trust, although for organisations operating at or close to their targets there was a risk that they may not be able to handle a large influx of new applications. The opening up of EDFET grants had not significantly increased the number of applications to one of the case study organisations as expected although the organisation had not yet actively publicised the change
- **the complexity of clients' debt issues** – Organisations described how complex multiple debt problems often required considerable time and effort to sort out before an application to the Trust can be made. Clients seeking assistance from CABs usually have sizeable priority and non-priority debts as well as unexplained spending which can take time to get to address. Clients with fuel debt difficulties often require assistance with disputed billing, setting up repayment plans and avoiding disconnection proceedings that require resolution before a debt adviser is in a position to make an application on a client's behalf
- **high drop-out rates** – A number of applications are initiated but never completed due to clients failing to provide the evidence required or not keeping appointments
- **the prevalence of mental health issues** – A significant proportion of clients experiencing debt problems also have problems with their mental health. Some clients may drop-out from the process several times before they are able to see an application through
- **a lack of willingness by some clients to address the problem of their priority debts** – It is policy for CABs and debt advice agencies to avoid making applications on behalf of clients who do not demonstrate a willingness to get back on track with their priority debts. With energy debts this involves negotiating with the energy provider to get the client onto a regular payment plan and waiting until the client has made a couple of payments before assisting with their application to EDFET.

## 5.5. Success Factors

Organisations identified the following aspects as important in maximising the number of clients helped by the EDFET funded projects and in achieving the range of intended project targets of the investment:

- strong partnerships with a range of outside agencies
- iterative and continual promotion of the Trust
- integration of projects with debt advice work

- requires both internal and external referrals
- organisational grants can be used to support applications to a range of charities and other sources of financial support
- an identifiable distinctive project providing specialist advice to which referrals can be made easily to
- helps if project covers a wide area.

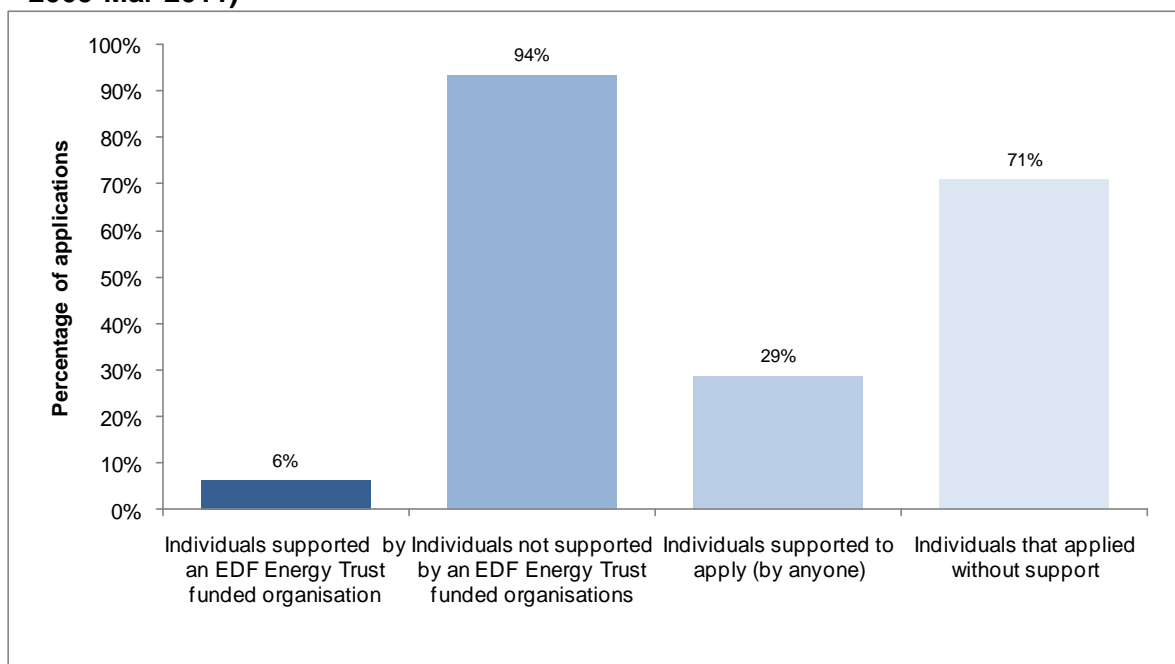
## **5.6. Applications Supported by Debt Advice Agencies Funded by EDFET Organisational Grants**

In terms of numbers of applications quantitative data shows that between January 2009 and March 2011 third sector advice organisations funded by revenue grants from the Trust supported almost 1,000 people to apply for Trust assistance. The analysis also demonstrates that applicants applying with the help of EDFET funded organisations are much more likely to submit successful applications.

Charts 5.2 and 5.3 below explore the proportion of Trust applications supported by recipients of the Trust's organisational awards compared to other applicants and their relative success. They also explore the proportion of individuals supported to apply by anyone (individuals or organisations - including those funded by the Trust) compared to those who applied without support, and their relative success.

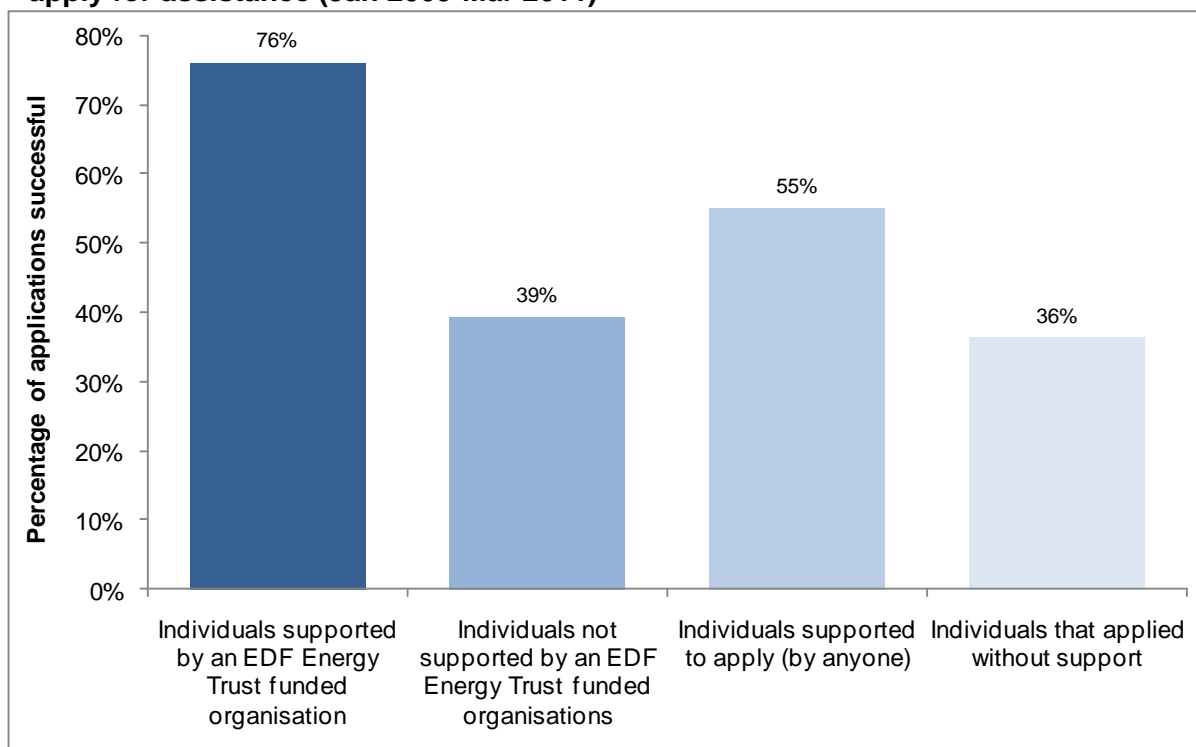
Together, these charts show that six per cent of applicants to the Trust between January 2009 and March 2011 were helped by an organisation supported with an EDFET revenue grant. 76 per cent of these applications were successful compared to only 39 per cent applications that were not supported in this way. This indicates quite strongly that the organisations funded by the Trust are able to support people to submit better quality applications. The charts also demonstrate that getting support to submit an application improves an individual's chances of success more generally: 55 per cent of people that received some kind of support (from individuals or organisations) to apply to the Trust were successful compared to only 36 per cent of people who applied without support.

**Table 5.2: EDF Energy Trust - types of support to apply for assistance (Jan 2009-Mar 2011)**



Source: Charis Grants  
Base: 15,148

**Table 5.3: EDF Energy Trust - relative success of different types of support to apply for assistance (Jan 2009-Mar 2011)**



Source: Charis Grants  
Base: 15,148

The qualitative data presented in the previous chapter on applicants' experiences of the application process illustrates this finding well and shows that those who applied to the Trust without the support of a debt advice agency were more uncertain about what to include on their application form and were perhaps more likely to find the process challenging.



Overall evidence above shows that EDFET funded organisations help a sizeable number of clients. Although this does not necessarily translate into a high number of applications to the Trust, the support provided through debt advice organisations and CABs does result in strong applications. This is a key finding and indicates that whilst the provision of holistic money advice and debt resolution does not always maximise the number of applications to the Trust it is perhaps more likely to produce sustainable applications and maximise applicants' chances of staying out of debt in the future.

Whether or not this additional advice improves the chances of clients being able to avoid debt in the future is explored in more detail below.

## 5.7. Impact on post-grant energy debt

An aim of organisational grants is that they provide debt advice organisations with additional resources through which to provide applicants and award recipients with support in areas such as financial literacy and budgeting in order to build their capability to manage their personal and household finances over the longer term.

### a) Case Study Results

Case study representatives were asked about the impact of the EDFET grants on beneficiaries and whether or not the additional help provided through EDFET funded organisations enabled recipients to stay free of debt. All staff interviewed agreed that the individual grants received were of great value to their clients, positively influencing their financial circumstances and helping them “to get back on an even keel”, “to get a fresh start”, “make a clean break”.

It was evident from all the case studies that raising applicants' financial awareness and educating clients about debt and household budgets was an important part of work they did. Securing clients' commitment to repaying their debts before an application was submitted to the Trust not only produced stronger applications but was vital as it acted as a 'deterrent' against getting back into debt. One funded debt adviser explained:

*“We put them through the complete CAB experience. They may come in with Council Tax bill issues and by the time we are finished with them they will have received help with every single one of their debts and through that process they will have learned the difference between a priority debt and a non-priority debt and they will be forced to reflect long and hard on their budget. It's the comprehensiveness of the experience that is the key to success. We help them but they also see that it's not easy to get out of these situations once you're in them and that they have to put a lot in and make a personal commitment to resolving it which is an important deterrent.”*

Another said:

*“Making sure they (clients) don't end up in this situation again is all about education, education, education. Many of them got here because they don't understand what a priority debt is and what can wait and many also don't understand that you pay for what you use in terms of energy. If you can get those two messages across then they stand a chance.”*

Whilst another funded debt worker felt that the extra help that clients received in terms of getting their energy payment arrangements sorted out also helped clients to keep on top of their fuel bills. One case study organisation also provided home visits

which were funded by the energy supplier EBICO which enabled the project to undertake energy audits in clients' homes. The visits played an important role in educating clients in ways to save energy and actively improving their chances of staying debt free. A client who had successfully applied to the Trust and been visited at home by the project explained how the project had helped and assisted her in changing her behaviour:

*"At the home visit (Name of debt adviser) went through everything highlighting things like the cost of the tumble drier and we looked at lots of areas where I could save money...I don't use the tumble drier half as much as I used to. I am very conscious of what I use now and have reduced bills".*

The ability of funded organisations to assist with energy efficiency advice and to sign post clients to other sources of help which could address the causes of why they had got into debt in the first place was viewed as an effective way of minimising clients' future debt problems. For example, one client we interviewed described how the debt adviser who was working with her had noticed that her energy bills were extremely high and discovered that this was because she was reliant on old night storage heaters. Her bills were sapping a large proportion of her household income and her home was still cold. A successful application to the Trust was made for the replacement of her old heating with a new central heating system which made a huge difference to her energy bills and her home was much more comfortable as a result. The client also received help with insulation through another grant that she was directed to by the EDFET funded adviser which greatly enhanced the benefits from the installation of the new central heating. This client also cared for her autistic son and was put in touch with an organisation which helped support parents of autistic children.

Overall staff felt that because clients received holistic debt advice and caseworkers could be confident that all debt issues had been addressed and they had been supported to develop sustainable lifestyles, then clients would have the best possible chance of staying out of debt in the longer term. A number of representatives recognised the difficulty in ascertaining whether a beneficiary would remain debt free and identified a range of factors likely to influence whether the positive impact of the EDFET grant would be sustained longer term including:

- the payment plan negotiated with the energy provider may not be sufficient to cover the client's usage (they may be making regular payments that they can afford but this may not be sufficient to cover their usage/keep up with fuel price increases)
- the client may have multiple physical and mental health issues/complex lives that mean that their approach to budgeting and energy use are unlikely to change
- benefit payments are being cut and entitlements are changing (in particular the changes to Local Housing Allowance will result in a gap between amount received in benefit and the rents landlords are charging) but the cost of living is rising
- a client's employment situation may change.

However the majority of case workers accepted that no matter how much they did to support clients, the budgets of some remain unsustainable because the resources available to them are so limited and constrained. One funded worker described the desperate situation in the area where she worked:

*"The problem is that low income households in (Name) are swimming against the tide. Their rents are high, it can be as much as £2,000 per month, and their council tax is high. They live in old properties that leak heat and many of them spend most of the day in the house so they are using more energy than working people. And, of course, when the Local Housing Allowance changes really start to be felt, you can add huge rent shortfalls into the equation. For many of them it's a choice between eat or heat, so you can see that for most of them there's not much chance they can stay out of debt."*

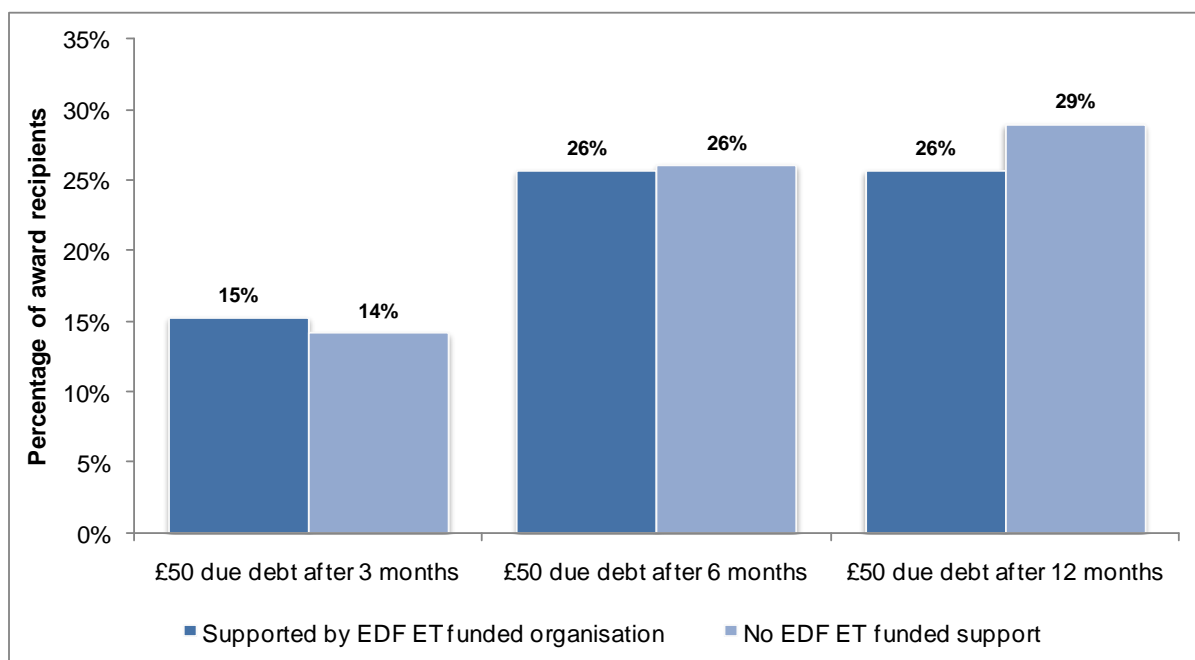
#### ***b) Quantitative analysis of post award debt for those who applied to the Trust with support of a EDFET funded debt advice organisation***

Our quantitative analysis examined whether individuals that applied for funding with the support of a Trust funded organisation and who were therefore likely to have benefited from support to build their financial capability were less likely to fall into debt in the future. Chart 5.4 compares the prevalence of post-grant energy debt amongst individuals that applied for funding with and without the support of a Trust funded organisation and shows:

- 15 per cent of award recipients who were supported by a Trust funded organisation had due debt of more than £50 after 3 months compared to 14 per cent who did not receive support
- 26 per cent of award recipients who were supported by a Trust funded organisation had due debt of more than £50 after 6 months compared to an equivalent proportion who did not receive support
- 26 per cent of award recipients who were supported by a Trust funded organisation had due debt of more than £50 after 12 months compared to 29 per cent who did not receive support.

The final statistic provides a small indication that receiving support from a Trust funded organisations reduces the chances of a customer returning to debt after 12 months however, the difference is not large enough to be considered statistically significant.

**Table 5.4: EDF Energy Trust - due debt of individuals supported by funded organisations compared to those that did not receive support (Jan 2009-Mar 2010)**



Source: Charis Grants, EDF Energy  
Base: 2,947

Overall evidence suggests that EDFET funded organisations do not substantially improve chances of clients staying out of debt. However, it is likely that the support and advice clients receive provides them with the best possible chance of managing their household budgets in the future. This may be illustrated in the slightly better due debt figures at 12 months. It should also be noted that debt advice organisations are often dealing with the most vulnerable clients who are on extremely limited budgets.

The next section looks at the impact of the Organisational Grant Programme on the funded organisations themselves.

## 5.8. Impact on organisations

### a) Survey Results

The research team gathered data through a survey of 51 organisations that had received grants from the EDFET between 2009 and 2011. It included all recipients of small grants and the large grant recipients that were not included as organisational case studies. The survey aimed to understand how the grants have had an impact on the organisations that received them and the benefits this brought to their clients. A total of 13 organisations (25 per cent) responded to the questionnaire: they included three large grant recipients and ten small grant recipients and ranged from very small community level organisations to large voluntary sector advice providers and housing associations.

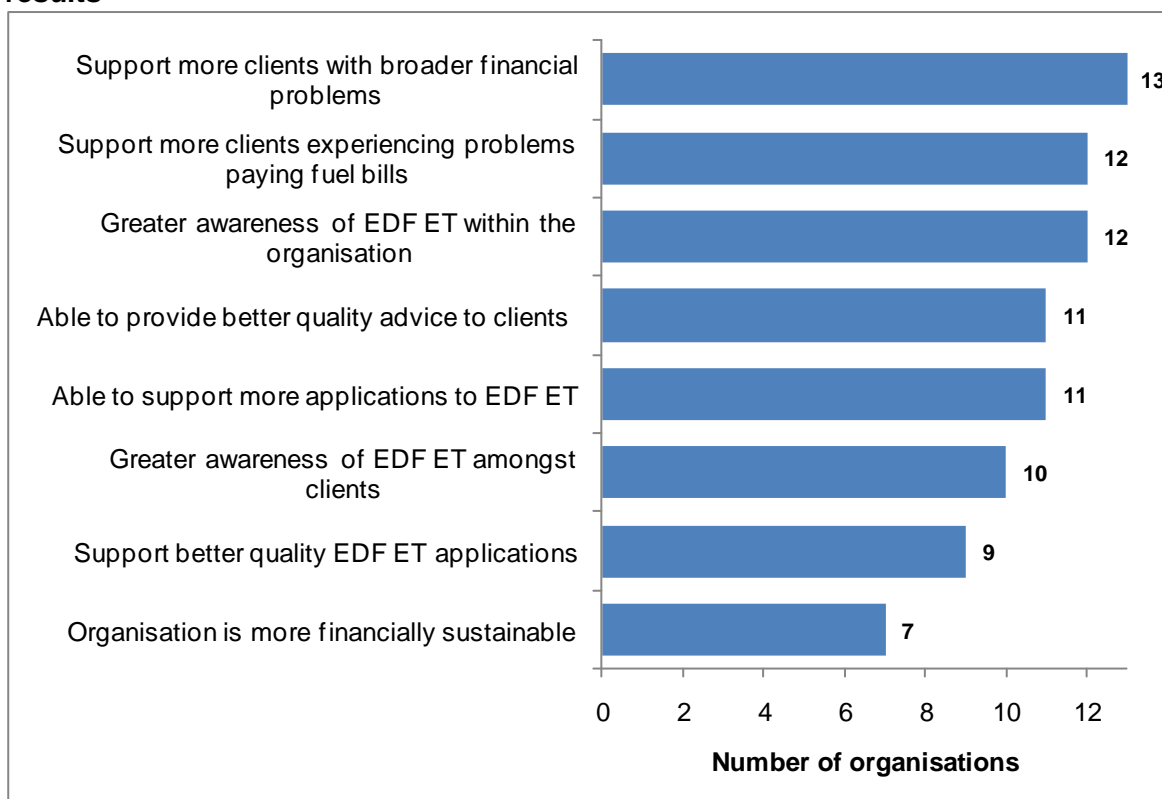
Respondent's views about the benefits of the grants are outlined in charts 5.5 and 5.6 overleaf. Chart 5.5 shows that respondents identified a range of benefits associated with organisational grants. A large majority said the grant enabled them to:

- **support a greater number of clients** with broader financial problems as well as more people **experiencing problems paying their fuel bills**

- **raise awareness** of the EDFET within their organisation and amongst its clients and support a **greater number of applications** to the Trust
- provide clients with **better quality advice** and support them to submit **better quality applications** for funding from the Trust.

By comparison, fewer respondents said the grant enabled their organisation to be more financially sustainable but this was still identified as a benefit by more than half (7 out of 13), including two large grant recipients and five small grant recipients.

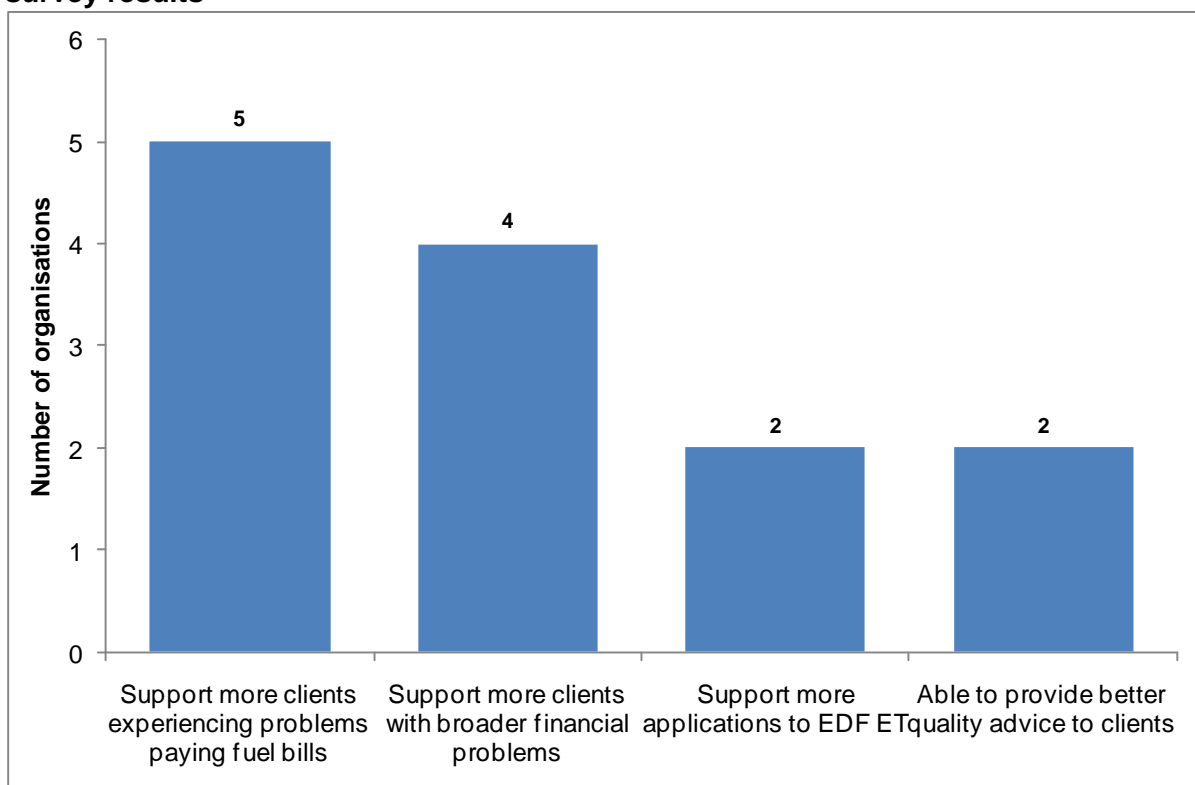
**Chart 5.5: The benefits of EDF Energy Trust grants to organisations - survey results**



Base: 13

Chart 5.6 identifies survey respondents' views regarding what they perceived to be the main benefit of the grant they received. It shows that the most frequently identified main benefit was providing support for a greater number of clients struggling to pay their fuel bills (5 respondents), followed by supporting a greater number of clients with broader financial problems (4 respondents), supporting a greater number of applications to the Trust and providing better quality advice to clients (both 2 respondents).

**Chart 5.6: The main benefits of EDF Energy Trust grants to organisations - survey results**



Base: 13

### ***b) Case Study Results***

In line with the survey results all the case study organisations in the study identified their EDFET organisational grant as an important source of income which increased their capacity to deal with debt cases and energy debt issues. For each organisation the EDFET grant funded a full time worker who divided their time between case work and doing promotional work for the Trust. The income also contributed to other benefits for the cases studies including:

- **increased organisational capacity and enhanced expertise** – Not only did the EDFET grant boost an organisation’s capacity to deal with cases of energy debt and to make applications to the Trust they enhanced expertise in the area. Funded workers passed on their knowledge and experience gained both through their training with Charis Grants Ltd and learnt whilst working ‘on the job’ to other debt case workers and volunteers in their organisation. This helped other case workers in their organisation develop a working knowledge of the issues around energy debt, fuel poverty and energy efficiency, the help available and who is eligible. According to a couple of the case studies clients could be referred to the EDFET funded worker more effectively as a result
- **the grant complemented debt advice work and helped clients resolve debt issues more broadly** – There was an element of ‘added value’ in the sense that EDFET work was treated as part of debt advice work by some organisations. Clients who came in with any kind of debt issue were usually referred to the funded EDFET worker as part of a standard debt resolution process
- **the grant had helped generate additional sources of income or increased income from an existing source** – EDFET funding had assisted one organisation to generate additional funding off the back of it and they had received CAB national funding to provide Energy Best Deal training to frontline

workers in their organisation and to train staff in other organisations such as housing associations. Energy Best Deal is about helping people to better understand energy tariffs and the organisation was able to combine this work with promoting EDFET

- **the grant helped to part fund a larger energy project** – Longer term EDFET funding had helped one organisation set up and expand a specific project and build its team of workers. It was felt that having a dedicated energy project team enhanced referrals both internally and externally and helped to minimise the workload on existing debt advisers within the organisation
- **organisational grants enabled funded organisations to increase their reach and through promotional work for the Trust develop new partnerships with organisations that may refer potential applicants to them** – Organisational grants were valuable and were seen as the best way for the case studies and the Trust to reach other organisations and agencies. Raising awareness through leaflets and presentations helped the case study organisation improve their scope, and access clients which had previously been hard to reach. For one organisation work with a particular outside agency had enabled them to work with and help members of the nearby Somali community. Dedicated workers also became the ‘face of the Trust’ to external organisations helping to maximise referrals:

*"(Name) is the face of the Trust....and that's a really good thing because the referring partner organisations like the personal touch and the relationships that (Name) has been able to build up with them are really paying off now."*

More generally a couple of the case studies saw funding from charitable trusts as a source of income that was growing in importance particularly given forthcoming reductions in legal aid and local authority funding. One funded debt adviser pointed out that funding from charitable trusts also had the advantage of helping to keep clients motivated and engaged in the debt resolution process:

*"The idea that there are these charities out there and if you show a commitment to working out your debts, they may help you with your debt or even wipe it out is news to most clients and it acts as the carrot that keeps them motivated to stick with the long and drawn out process of debt resolution that requires a lot of input and effort from them."*

It was also clear that the loss of EDFET funding would be extremely detrimental to the case study organisations.

Overall the case studies did not identify any undue additional demands placed on their organisations by the EDFET funding. Managers did not find the reporting and monitoring requirements onerous compared to other funders and demands were generally similar to those of other grants. There had been an instance when an organisation had been required to provide weekly progress updates and this had been regarded as time consuming and perhaps somewhat disproportionate to the level of funding received, although this had subsequently been dropped. Whilst another organisation that was not reaching its project targets felt there were issues with how its performance had been handled and its relationship with Charis Grants Ltd had suffered as a result. The feeling was that the perceptions of staff at Charis Grants Ltd of what constituted good performance differed somewhat from those of trustees who had visited the organisation and had appeared positive about their work.



## 5.9. Maximising the impact of the Trust's Organisational Grants

Overall the case studies acknowledged they needed a variety of different ways to engage with individuals and organisations to maximise the impact of the organisational funding they received from the Trust. Through the promotional work undertaken with outside agencies and the financial advice work that debt advice agencies did, organisational grants were seen by case study representatives as an effective way for the Trust to reach the most vulnerable. The fact that the Trust was able to reach people in a variety of ways through Further Assistance Payments and was not just restricted to helping those with energy debts was also regarded positively as a way of maximising benefits for individuals and debt advice organisations' clients. The holistic debt advice and support provided through organisational grants was viewed as yielding the most comprehensive and positive outcome for those applying to the Trust by increasing their chances of success through strong applications, signposting to appropriate help and enhancing the likelihood of those whose budgets would allow them to avoid debt in the future.

A number of different ways that the Trust may be able to maximise its impact through the Organisational Grants Programme were also identified, the most common being providing more information on energy bills. Rather than simply saying contact your energy supplier if experiencing difficulty with payment as bills currently do, all the case studies consulted identified information on EDF Energy fuel bills as a good way of reaching individuals directly and generating enquires and referrals to debt advice organisations. Details on bills could include information about the Trust, directing customers to and providing contact details for their local CAB or EDFET funded debt advice organisation. By doing this the Trust could support the debt organisations work of increasing applications to the Trust more effectively.

Another common suggestion was that the Trust could take a more realistic view about the circumstances of some applicants. This opinion was expressed by at least two of the case studies. The feeling was that if one of the Trust's aims is to help those experiencing financial hardship and to relieve poverty, then it could acknowledge that the budgets of some applicants are so constrained that they will remain vulnerable to debt. Such cases should not always be overlooked by the Trust or have their applications rejected in favour of more 'salvageable' ones.

Finally, one organisation felt that the Trust could more effectively allocate funding on a needs basis by increasing funding to advice agencies working in the most deprived areas as a way of increasing their impact.

## 5.10. Conclusion

### *Impact of organisational grants on applications*

- **Although organisations funded by the Trust do not always generate a large number of applications they are able to support people to submit better quality applications which are significantly more successful:** 76 per cent of the applications they support were successful compared to only 39 per cent of applications that were not supported.

### *Impact of organisational grants on post award debt*

- **However, receiving support from a Trust funded organisation does not have a significant impact on an individual's ability to stay free of energy debt in the longer term:** the proportion of individuals in receipt of Trust support who returned to debt was broadly equivalent to those who did not receive support.

- **But the holistic debt advice and support to develop sustainable lifestyles provided by funded debt organisations probably gives their clients the best chance of staying out of debt in the future.**

#### *Impact of organisational grants on organisations*

- **Organisations in receipt of grants from the Trust are overwhelmingly positive about the benefits the funding has.** Organisational grants are an important source of income for the debt advice organisations that receive them and help to increase their capacity to deal with more clients with broader financial problems and energy debt issues.
- **Organisational grants also help to increase the reach of debt advice organisations** and can be a means by which they develop partnerships with outside agencies and access vulnerable and previously hard to reach groups.

#### *Increasing impact and awareness of the Trust*

- **A way of maximising EDFET's impact and increasing awareness of the Trust would be for EDF Energy to include information about the Trust on fuel bills.** Customers could be directed to help available at their local debt advice organisation or EDFET funded project. This would help support the Trust and the Organisational Grants programme by helping to generate enquiries and self-referrals to debt organisations which in turn would increase the number and quality of applications submitted to the Trust.

## 6. Stakeholder Views

### 6.1. Introduction

This chapter of the report looks at the nature of the Trust's grant-making and implications for its longer term strategy from the lens of major stakeholders. It is also informed by recent developments in charity law concerning benevolent charities (i.e. charities whose main work is grant-making to individuals for the relief of poverty). It draws on six interviews (with seven stakeholders) which were conducted between October and December 2011.

Interviewees included:

- three trustees
- two senior staff at Charis Grants Ltd (interviewed together)
- two senior representatives of EDF Energy (the charity's donor) – one at policy level and one at director level.

In addition, the analysis takes account of various documentary sources:

- the EDFET governing document (Trust Deed of 2003 as amended by Deed of Variation)
- trustees' annual report and accounts for the charity over last two years
- minutes of trustees' meetings over the last two years.

In addition the research makes use of Professor Gareth Morgan's on going involvement in researching issues of charity law and regulation – in particular he observed much of the key Upper Tribunal case on benevolent fund charities (hearing in November 2011 – see below) and spoke to a number of the legal representatives involved. A summary of the technical background to the issues of charitable law and regulation and the possible implications for EDFET is provided in Annex One of the report.

The chapter reports findings from the stakeholder interviews both on the technical issues raised in Annex One, and on broader issues concerning the strategy and vision of the charity.

Terms such as “most”, “some” or “all” are used below, as an indication of whether a particular view was expressed by one stakeholder or many, but because this is based on a very small number of interviewees: these terms should not be taken as representing levels of agreement by the trustees as a whole (and in any case three interviews were with non-trustees).

## 6.2. Overall Role of the Trust

There is agreement from all interviewees that the Trust has a clear role in addressing poverty amongst those unable to pay their fuel bills and broader debt-related issues – even though most of the stakeholders interviewed have only become involved with EDFET well after the Trust was first established.

Some stakeholders articulated the role of trust in ethical terms: *“Fundamentally it is the right thing to do”* said one interviewee, speaking about the role of EDF Energy in giving substantial funding to the charity. *“It’s supposed to give people a fresh start with grants awarded to people trying to get out of debt.”*

Most interviewees agreed that such an approach required the independence of a trust which was not under the control of EDF Energy.

## 6.3. Charitable Objects

Stakeholders agree the Trust has the right charitable objects i.e.:

- the relief of poverty particularly among those who are unable to meet or pay charges for the supply of energy provided to premises used or occupied by them; and
- the prevention and relief of poverty by educating the public in relation to debt awareness and prevention.”

However, there are different views in terms of the importance or otherwise of the second object regarding “education of the public in relation to debt awareness and prevention”. Some see this as a really important role for the Trust – others feel that the educational work should be limited to awareness work that will generate applications to the Trust for consideration under the first object. But some were very clear that the second object is central: *“wider debt advice is important”* said one interviewee. Developing relationships with intermediary organisations which could really support people in fuel debt was seen by most stakeholders as an important role for the Trust.

## 6.4. Relationship with Donor

All stakeholders recognised that the charity is entirely dependent on its sole donor (EDF Energy) – but there were various views on this. All acknowledged the commitment of EDF Energy to the Trust and particularly the fact that EDF Energy has made funding agreements over several years allowing the Trust to plan ahead.

However, some stakeholders felt there could be scope in the longer term to widen the range of donors – either in terms of moving to a broader charitable trust supported by all the major energy companies or by seeking support from other bodies in the electrical industry (e.g. appliance manufacturers and retailers).

From the interviews conducted there was little evidence on the Trust side of attempts to negotiate with EDF Energy on the level of its support – though most stakeholders felt the funding is sufficient to allow the Trust to support all the satisfactory grant applications received (at least in terms of individual grants).

## 6.5. Operation and Organisational Issues for the Trust

In general stakeholders feel the Trust is working well in terms of the involvement of trustees, the operational support from Charis Grants Ltd, and the working relationships. However, a number of stakeholders felt there may be scope for updating and modernising procedures. For example a couple of trustees felt that in certain circumstances making payments by BACS rather than by cheque might be appropriate (using electronic procedures now offered by many banks so that payments cannot go through without Trustee authorisation).

Some trustees would be happy to delegate a sign off on smaller grants directly to Charis Grants Ltd – it was commented that when trustees receive cheques for signature there is normally no supporting documentation at that stage – the only evidence trustees see is when they undertake audits, but these are distinct from the actual cheques being signed.

Others felt that the whole process by which the trust operates could be streamlined and one trustee felt that the procedures had been developed without much input from recent trustees and might be capable of refining. However, interviewees from Charis Grants Ltd were clear that Charis is contracted to run the Trust in accordance with the trustees' directions, and that all decisions are firmly under the trustees' control with regular review of processes.

But no interviewee had any serious concerns on these issues: there is a clear consensus that for the most part EDFET is a well-run charity.

## 6.6. Views on Grant making

All stakeholders felt that the individual grants are generally working well and are effective at meeting the needs the Trust is seeking to address, although one interviewee was concerned at the risk of grants being made to those who did not really need them (“professional applicants”).

However, a couple of interviewees commented that initiatives such as smart metering might mean energy companies would realise sooner that customers were getting into debt, and hence could address debt problems sooner: it was suggested that this may alter the nature of applications to the Trust over the coming years.

There were more questions around the organisational grants, where a number of stakeholders had concerns.

However, the evidence from the interviews suggests there is confusion as to the *purpose* of the organisational grants – as reflected by the comments above regarding the second charitable object.

Some stakeholders felt that the organisational grants were solely about generating applications to the Trust, generating wider awareness of the Trust and to some extent supporting individuals applying. Others felt that the broader objects of supporting those in debt and wider education about fuel debt were really central roles of the Trust and were happy to support work of this kind *whether or not* it led to applications to the Trust.

Also, *some* stakeholders felt key performance criteria for organisational grants was the number of applications generated to the Trust, but this did not seem to be the main issue for others. In particular, several stakeholders commented that in depth work with individuals with complex debt problems was a valid use of the EDFET

funding even if it only led to smaller numbers of applications. One stakeholder made the point that those in serious debt are likely to have many debts and the fuel debt is often a long way from being the largest creditor. In such cases, if the Trust wishes to address the broader issues, debt advisors supported by the Trust needed to have the time to work more broadly. Those trustees who had visited charities in receipt of organisational grants were largely positive about the work of the organisations they had visited.

However, it also appeared that there is some confusion on the Trust's side about the terms on which organisational grants are made.

- technically, from a charity regulation and accounting perspective, it is likely that they are intended to be restricted grants<sup>12</sup> which are given on trust to the recipient organisation to be used for specific purposes and should thus be accounted as restricted funds in the charity accounts of the recipient. If the documentation from the Trust is clear on this basis, it would be up to the auditors/independent examiners of the recipient charities to flag up at year end if there was any indication of a restricted fund being misspent
- however, some stakeholders felt that this support was more in the nature of an unrestricted grant which specified what the Trust was expecting, but did not formally restrict the use of funds
- the stakeholder saw the organisational funding agreements more in terms of contracts rather than grants – under a contract arrangement, EDFET would be purchasing services from the relevant debt advice charities (and if the recipient organisation was VAT registered they would then have to charge VAT).

Although an organisational grant review was undertaken in 2011 it appears that there remain issues around the purpose and expectation of organisational grants that need clarifying. However no stakeholders wanted to see any **major** changes to grant making strategy.

## 6.7. Stakeholders Views on those Eligible to Apply

Discussions took place with each interviewee around the recent decision to allow anyone in fuel debt to apply to the Trust rather than just EDF Energy customers and this led to a wide range of observations.

Whilst this decision had been triggered by the Attorney General's review of benevolent charities, most stakeholders felt it was a good thing to widen the reach of the Trust: there was a sense that it gave the Trust a broader charitable vision, closer to its objects. The main uncertainty was whether EDF Energy would continue to support the Trust if significant amounts of support end up going to non-EDF Energy customers.

However, some pointed out that it is *already* the case that considerable amounts of funding from the Trust are not linked to writing off energy debts of EDF Energy customers (only 64% of expenditure in the latest accounts<sup>13</sup>).

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<sup>12</sup> We subsequently understand that the Trust's Funding Agreements with the organisations does state funding is by way of a restricted grant.

<sup>13</sup> In the 2010 accounts the split of expenditure was as follows:

- Individual grants for energy debts with EDF Energy: £1.89M (64%)
- FAP grants to individuals: £0.11M (4%)
- Organisational grants: £0.53M (18%)
- Support costs: £0.42M (14%).

Broader issues of charity law were explored with each stakeholder, but it became clear that there is considerable confusion between two issues which the trustees need to consider:

- a. the issue of whether or not the trust's nexus of beneficiaries would be too narrow if restricted to customers of a single company (linked to the Attorney General's Reference – though as explained in Annex One, the Tribunal has not been asked to consider charities of this kind directly)
- b. whether the grant making activities of EDFET are leading to a private benefit to the donor (EDF Energy).

As indicated in the technical explanation in Annex One, both of these are quite subtle issues, but for the reasons given there is little to suggest that either of these is necessarily a problem.

Stakeholders were all positive in general terms about the change in policy from April 2011 to widen the potential beneficiaries to include customers of *any* energy company. One stakeholder said that even if there was the slightest risk to the Trust's charitable status neither the trustees nor the EDF Energy would want to take any reputational risk of this kind.

On the other hand, there was an awareness that it might be harder to persuade EDF Energy to support the Trust beyond 2012 if the funding was just as likely to go to customers of other energy customers.

Some interviewees seemed to favour a mid-way approach of accepting applications from other energy companies if they are made, but not publicising this possibility too widely. Indeed, it seemed that some of the bodies receiving organisational grants were not clear whether applications would actually be welcomed from customers in fuel debt with other suppliers.

However, it seems hard to justify the limited publicity approach from any stance of principle. The Charity Commission has already criticised independent schools who argue they are meeting the public benefit requirement by providing bursaries if in practice the availability of bursaries are not widely publicised: it therefore seems likely that similar criticism could be raised at poverty charities which target customers of one particular company if in reality grants are available to all.

If the mid-way approach is ruled out for the reasons indicated, it appeared from the interviews that stakeholders are currently divided between two alternative visions:

- either the charity is seeking to address fuel debt as widely as possible, (as implied by a straightforward reading of the Trust's charitable objects) and is unconcerned with the specific energy supplier of those seeking its help
- or the vision of the charity is primarily to address issues of fuel debt amongst customers of EDF Energy (as implied by the Trust's name) with other funding only being made on an exceptional basis.

The first approach is the cleanest under charity law and avoids any problems under the public benefit requirement whether in relation to the nexus of beneficiaries or the risk of private benefits to the donor. But stakeholders (including interviewees representing the donor) seemed uncertain as to whether EDF Energy could be persuaded to continue substantial long term funding on this basis.

Stakeholders largely recognised (albeit with reservations) that the second approach gives a more direct case for attracting continued funding from EDF Energy. Moreover,



as argued in Annex One, it would probably be possible for the charity to continue on this basis without falling foul of the public benefit requirement if the trustees had clear policy reasons for doing so – though further attention may be needed in order to be sure such a funding arrangement steers clear of the tainted donations rules.

It was noted by some stakeholders that one energy company (Npower) had recently sought to register a charity similar to EDFET and this had been declined by the Charity Commission pending the Attorney General's Reference. But, as explained in Annex One, it seems unlikely that the Tribunal will agree that the 2006 Act led to any major change of law regarding the beneficiaries of poverty charities. If this is the case, there could be good grounds for those seeking to establish charities of this kind to present them afresh to the Commission (and then to appeal directly to the Charity Tribunal if registration is refused). So a charity operating on the former lines of EDFET (pre-April 2011), with support restricted to EDF Energy customers, remains a real possibility if the trustees felt it were right to go back to that approach.

However, no one believed that EDF Energy would *only* continue to fund the charity under the second approach: much depends it seems, on future Government initiatives in relation to the domestic energy supply industry and the extent to which the support through charitable trusts continued to be recognised as meeting obligations under the suppliers' licence conditions.

## 6.8. Publicity for the Trust

On broader issues, stakeholders seemed undecided as to whether the Trust should aim for a higher profile and seek to generate more applications. This was partly because of concerns about how the Trust would cope if there was a major increase in applications. This finding is perhaps a little surprising given that charities concerned with the relief of poverty are usually keen to reach as many beneficiaries as possible.

There was also some uncertainty as to how far the Trust should encourage EDF Energy's Customer Services to make direct referrals to the Trust (e.g. through inserts with energy bills). Some felt that highlighting the Trust at too early a stage might risk a deluge of applications which would have to be rejected as falling outside the criteria, or would simply favour those who are "good at applying for everything" rather than those in most need.

The new Advice Line supported by EDF Energy was felt to be good, but stakeholders felt it was too soon to know how well it was working.

However, a key issue for almost all stakeholders was how to generate more of the "right" applications – especially from those who had got into fuel debt due to specific circumstances, where a one off grant could make a huge difference.

## 6.9. Co-operation with other Charities

Stakeholders were unable to provide any major instances of EDFET working closely with other charities beyond (a) the co-operation with other energy trusts administered by Charis Grants Ltd and (b) the organisational grants involving work with the advice sector. Once prompted, stakeholders agreed that there may be lessons elsewhere in the sector which could be useful to the Trust.

It is understood that EDFET does not currently belong to any major umbrella bodies in the sector (the Association of Charitable Foundations – ACF – would be the most



obvious body, being the umbrella organisation for grant-making charities). It was noted that Charis Ltd is a member of the Association of Charitable Organisations (ACO)<sup>14</sup> on behalf of all the trusts it administers (the ACO links those involved in the administration of benevolent charities) – but trustees did not mention any direct contact with ACO.

## 6.10. Conclusion

- **In general stakeholders feel the Trust works well** - though there are some suggestions for changes
- **Evidence suggests there is confusion on the role of organisational grants.** Are they mainly just about generating applications, or is the Trust serious about its second charitable object "prevention and relief of poverty by educating the public in relation to debt awareness and prevention"? There seems to be a range of views from stakeholders on this issue. Some feel that EDF Energy would not want significant support to go in general debt advice, but so long as there is some link with fuel debt, these findings suggest EDF Energy is happy for the Trust to fund such work if the trustees consider it is worthwhile
- **It is too early to speculate on the outcome of the Attorney General's Reference** to the Charity Tribunal regarding benevolent charities, although it is worth noting that the reference does not explicitly address charities whose beneficiaries are focused on customers of particular companies. **However, stakeholders tend towards the view that widening the pool of those who can apply to the Trust is a good thing anyway. As such, it seems unlikely the Trust would want to go back to a situation where only EDF Energy customers were eligible for grants**
- **A key issue for the longer term is whether energy companies need to maintain the identity of specific trusts like EDFET linked to particular companies (e.g. for branding reasons) or whether there is scope to develop a single trust supported by all the major energy providers.** Whilst all stakeholders accepted that competitive pressures will make it hard to achieve a single trust, a number felt this should be considered – probably through the Energy Retailers Association in the first instance
- It was also recognised that whilst EDF Energy had gained reputational benefits by being one of the first energy companies to establish a trust of this kind (building on plans initially established by SEE Board), now that such trusts were more common, the benefits were less obvious. **A single industry-wide trust would potentially lead to significant administrative savings and examples of industry-wide charities in other sectors were raised**
- **But several stakeholders raised concerns that unless all retail energy suppliers in the UK joined in, those who contributed might end up writing off substantial debts for non-contributing companies (though this risk exists already, now that EDFET is accepting applications from non-EDF Energy customers).** There were also concerns that the largest supplier (British Gas) might dominate any industry-wide arrangement. But other stakeholders noted that there is already an annual meeting between the Chairs of the various trusts administered by Charis Grants Ltd, and a number of procedures have already been established to allow cross-referring of applications, so a single industry-wide trust could be considered to be simply a further step along these lines

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<sup>14</sup> Formerly the Association of Charity Officers.

- **Clearly any decision on this depends whether the Government continues to accept the value of charitable donations as meeting part of the energy companies' obligations under the Warm Home Discount** but so long as it does, it would presumably not require each company to have its own separate trust (particularly in the light of the latest development in charity law). A major strategic decision for the trustees of EDFET is therefore to consider whether or not to begin a process of exploring such a route.

## 7. Conclusions

### 7.1 Introduction

This report has examined the operation and impact of EDFET's Individuals and Families Grants Programme, and the Organisational Grants Programme, between 1 January 2009 and 31 March 2011. It has also considered the views of major stakeholders (the trustees, the donor, and those running the trust operationally) in the context of current issues of charity law. The study set out to provide evidence and learning to assist EDFET trustees to meet their operational objectives for 2011 and which will help inform the trustees and EDF Energy shape the future direction of the Trust in meeting its overall charitable aims.

To conclude we return to the research questions outlined at the beginning of the report:

### 7.2 Main Research Findings

#### *Is the Trust meeting its objective to target individuals and families in hardship?*

Our analysis of the figures on the reach of the Trust show that a large proportion of those applying to and receiving funding from the Trust are from families with children, single parent households or from lone person households. These types of households frequently find it difficult to heat their homes affordably and as national figures show experience the highest levels of fuel poverty. A further assessment of a small subsample of applicants to the Trust which examined data on household budgets showed there is a relationship between energy debt, fuel poverty and financial hardship and suggested that almost two thirds of successful applicants could be considered to be 'fuel poor'. A third of successful applicants and half of unsuccessful applicants have severely constrained budgets where outgoings were higher than household income.

Qualitative evidence from the case study organisations supports this finding and also demonstrates that organisational grants play a part in helping the Trust and the debt advice organisations reach vulnerable groups likely to be experiencing severe financial hardship. The work that CABs and other debt organisations do in promoting the Trust and working in partnership with outside agencies is a key way that the Trust increases its reach to these groups.

However, figures do show that the Trust may not be reaching lone pensioners, a group that are particularly vulnerable to fuel poverty. This may reflect our finding that energy debt tends not to affect older people as much as younger households with children and could also be an indication of higher levels of financial capability amongst older people more generally. Older people may be less willing to get into debt and so restrict their fuel use and / or cut other household expenditure in order to avoid financial difficulty. In addition this finding may reflect older peoples' attitudes to keeping warm and their reluctance to seek assistance, their desire not to be a

burden on others and to cope alone. Recent evidence<sup>15</sup> suggests that there are a range of reasons why older people may not heat their homes adequately and often considerable barriers to them seeking help. The Trust may wish to reflect on this evidence when considering how it could better reach vulnerable older people experiencing hardship.

### ***What are applicants' experiences of applying to the Trust?***

Experiences of applying to the Trust were generally positive, most found the process straightforward with those applying to the Trust through an advice organisation perhaps finding it easiest of all. Those applicants that applied with support from a local advice centre such as a CAB or through an EDFET funded project were extremely satisfied with the help they received applying to the Trust. Some received help from a friend or relative in making their application.

A minority of applicants who applied without any assistance (neither from a friend or relative or help from a third sector advice agency) were unsure what additional supporting information they were expected to include on the form. A number of these said they would have welcomed help with completing the form from a debt advice organisation if they had known such assistance was available or they would have liked some hints and tips included on the application. This suggests that some applicants are not finding the information currently included on the Trust application form sufficient, even though the form does advise applicants to seek assistance at a local advice centre such as a CAB if they need help to complete it. It may be beneficial for the Trust to direct applicants to the help available through CABs and EDFET funded organisations more explicitly and to clearly explain the benefits of applying with such support on the form (i.e. applicants who apply this way are much more likely to submit successful applications to the Trust. Advice agencies not only help with debt problems but can also assist by signposting applicants to energy efficiency assistance and help applicants apply to other charitable trusts).

### ***How effective are the Trusts' processes to allocate funding?***

Overall applicants were reasonably happy with the length of time that applications took and felt a wait of up to three months was generally not too bad. Once applications were accepted most beneficiaries felt that funds were paid quickly and allocated efficiently and there were no complaints from any of those consulted.

Case study organisations did not identify any undue additional demands of EDFET funding and monitoring and reporting arrangements were similar to other grants. There was a suggestion that the Trust could target areas of need more effectively by working with EDF Energy to identify areas where there were large numbers of customers experiencing problems with energy debt. The Trust could then provide more funding support to advice centres operating in these areas. It is likely that customers of other energy suppliers in these areas would be experiencing similar problems with debt and so they would also be helped by the enhanced funding directed to the advice organisations.

### ***What impacts do the Trust's awards through the Individuals and Families Grants Programme have on individuals and families?***

The impact of the Trust's awards through the Individuals and Families Grants on individuals and families is extremely positive. Payments helped to ease stress and

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<sup>15</sup> Keeping Warm in Later Life project (KWILLT) 2011 NHS Rotherham and Sheffield Hallam University

worry and gave many individuals and families a fresh start enabling them to “*get back on track*” and to gain control of their financial circumstances. These benefits greatly enhanced the mental wellbeing of many recipients and enabled some to take a positive step in moving on with their lives.

We also examined post grant energy debt to assess the impact of the Individuals and Families Grants Programme. Evidence indicates that the funding does contribute to improving the longer term ability of individuals and families to pay their fuel bills. Our analysis of energy accounts shows that more than half of them remain debt free after six months of receiving help from the Trust, whilst over half of the applicants interviewed by telephone felt that their awareness of ways to save energy and reduce fuel bills had increased since applying to the Trust. Although a significant proportion of energy accounts do return to debt following an award, this tends to reflect the fact that a sizeable proportion of applicants to the Trust have constrained budgets and face real challenges in being able to pay their fuel and other household bills on an on-going basis rather than reflect negatively on the impact of the Trust’s grant making.

### ***What is the impact of the Trust's awards through the Organisational Grants Programme?***

One of the main impacts of the Trust’s awards through its Organisational Grants Programme is on the quality of the applications made to the Trust. Whilst third sector advice organisations funded by EDFET tend not to generate large numbers of applications to the Trust, they do help people submit high quality applications which are significantly more successful than applications from people not supported in this way.

Organisational grants also contribute positively to the organisations that receive them by increasing the capacity of these organisations to deal with a range of financial problems and energy debt issues. Organisational funding helps to develop and further expertise in issues around energy debt, fuel poverty and energy efficiency within the organisations themselves. In some instances the funding helps debt advice organisations to secure additional related funding or to set up and expand existing specialist energy projects. Another significant benefit is that organisational grants are currently the only means by which the Trust, through its funded debt organisations, engages with a range of outside agencies working with vulnerable people at risk of financial hardship and fuel debt problems. As such organisational grants play an important role in helping to reach more vulnerable groups that are typically more difficult to engage with.

Our analysis shows however, that the additional holistic financial help and sign posting to energy advice provided by EDFET funded organisations do not have a significant impact on post award debt. The proportion of individuals in receipt of support through a funded organisation who returned to debt was broadly equivalent to those who did not receive support. However, there was a small indication that receiving support from a Trust funded organisation may reduce the chances of an individual returning to debt over the longer term (i.e. after 12 months<sup>16</sup>). Whilst these figures may appear a little disappointing our evidence supports the view that the advice and assistance individuals receive from these organisations probably gives them the best chance they have of staying debt free if their personal circumstances and budgets will allow.

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<sup>16</sup> Although the difference was not significant due debt figures after 12 months for individuals who had received help through EDFET funded organisations were a little better than for those who had not received such assistance (26 per cent of award recipients returned to debt after 12 months compared to 29 per cent).

### ***Do organisational grants provide 'value for money'?***

The main consideration when assessing whether organisational grants provide 'value for money' is what is the role of organisational grants? Are they just about generating applications to the Trust or are they more concerned with the Trust's second charitable object of "prevention and relief of poverty by educating the public in relation to debt awareness and prevention"? Interviews with stakeholders suggest there are a range of views on this issue and perhaps some confusion about the purpose of organisational grants. This may in itself reflect the fact that the focus of EDFET's Organisation Grants Programme has shifted from that of generating awareness of the Trust and applications to it, to providing more holistic debt advice from the end of 2009 onwards.

If organisational grants are solely viewed to be about numbers of applications then it could be argued that they do not provide 'value for money'. However organisational funding generates high quality applications to the Trust which are significantly more successful than applications which do not receive this support.

With regard to the relief of poverty by educating the public in relation to debt awareness, there is no significant evidence that such funding dramatically improves the chances of people receiving help from funded organisations being more able to stay out of debt compared to those who do not receive this support. But debt advice agencies are often dealing with extremely vulnerable individuals with complex debt cases and evidence from the case studies suggests that the additional holistic debt advice that individuals receive is likely to provide clients the best chance of being able to manage their money in the future. In addition it should be noted that whilst EDFET funded debt advice organisations and projects do not always submit large numbers of applications to the Trust, they do advise and educate many more clients (who are both EDF Energy customers and non EDF Energy customers) and probably contribute to the relief of poverty more generally.

Other considerations which may be overlooked when assessing value for money are the benefits to the recipient debt advice organisations (already outlined above) that organisational grants deliver. They also provide the main means by which awareness of the Trust is raised with a range of other external organisations and agencies working with vulnerable people. Finally, individuals who apply for help to the Trust with the help of EDFET funded organisations are overwhelmingly positive about their experience and the specialist help received.

In light of the main considerations outlined above Trustees may wish to reflect on the evidence presented in the report in order to review what they think the purpose of organisational grants should be, and hence to help them come to a judgement of whether or not organisational grants provide 'value for money' in this broadest sense.

### ***How can awareness and promotion of the Trust be raised?***

Very few people were aware of the Trust before they applied for help. More generally, people were unaware that such help with fuel bills and other debts existed and was available from different charitable trusts before they applied. Most applicants found out about EDFET through their energy supplier which in most cases was EDF Energy, or through third sector debt advice organisations.

The most effective way of raising awareness and promotion of the Trust identified in the study was for better signposting of EDF Energy customers to the Trust itself, to local advice centres and EDFET funded organisations to be included on EDF Energy fuel bills. The funded debt advice organisations argued strongly that this was a good way of reaching individuals directly and of generating enquiries and referrals to them



and other advice centres. By doing this EDFET and EDF Energy could also support the debt organisations work of increasing applications to the Trust more effectively. However, if the Trust is firmly committed to the second vision (set out in section 6.5) of supporting anyone in the UK in fuel debt who meets the Trust's criteria, then serious consideration will need to be given to developing similar links with other energy companies.

A number of stakeholders however expressed some caution about including direct referrals to the Trust in EDF Energy bills. Some felt it may risk a deluge of applications or it may act to encourage applications from those who are good at applying for everything rather than those in need. There was also a suggestion from one of the case studies that overly publicising the opening up of the Trust to non EDF Energy customers may result in more applications than could be handled.

Findings indicate that successful promotion of the Trust by funded organisations requires them to establish strong partnerships with a range of outside agencies and involves a process of iterative and continual promotion including returning to organisations that have previously been visited. The main way organisations raised awareness was through presentations but one project had its own specific promotional material which helped with generating external referrals and also employed a variety of different vehicles to publicise the Trust such as a local energy network mailing list.

***What are the options for the future constitutional basis of the Trust to maximise public benefit to ensure the charity contributes to meet the public benefit requirement under the Charities Act 2006?***

It is worth noting that the Attorney General's Reference to the Charity Tribunal regarding benevolent charities does not explicitly address charities whose beneficiaries are focused on customers of particular companies. At time of writing the Tribunal Decision is still awaited but the vast majority of legal submissions before the Tribunal have argued that the 2006 Act has not altered the previous principles of public benefit and hence that poverty trusts could still limit their beneficiaries to groups of relatives, employees etc. if permitted in the governing document. Even the Charity Commission only argued that the law *might* be considered to have changed on this issue as a result of the Charities Act 2006 removing the presumption. As such a charity operating on the former lines of EDFET (pre-April 2011), with support restricted to EDF Energy customers, remains a real possibility if the trustees felt it were right to go back to this approach.

However, stakeholders generally regarded the widening of the pool of those who can apply to the Trust as a good thing and it seems unlikely that the Trust would want to return to a situation where only EDF Energy customers were eligible for grants. An important issue longer term is whether energy companies need the identity of specific trusts like EDFET linked to specific companies or whether there is scope to develop a single trust supported by the major energy providers. Although competitive pressures may make a single trust difficult to achieve and there were a number of concerns raised about this option some stakeholders thought it should be considered. Any decision on this issue will depend on whether the Government continues to accept the value of charitable donations as meeting part of the energy companies' obligations under the Warm Home Discount but so long as it does, it would presumably not require each company to have its own separate trust (particularly in the light of the latest development in charity law). A major strategic decision for the trustees of EDFET is therefore to consider whether or not to begin a process of exploring such a route.

## Annex One: Technical Issues of Charity Law and Regulation and Possible Implications for EDFET

### Introduction

At the inception of this project, it was clear that one of the issues which prompted the trustees to commission this study was the Attorney General's Reference to the Charity Tribunal on the status of benevolent funds. The impact of this issue was explored further in most of the stakeholder interviews, which are presented earlier in the report. However, in order to understand the context fully it is helpful to clarify the technical background on this, and on some related legal issues concerning relationships between charities and a single large donor.

### The Attorney General's Reference: Issues for EDFET

It is a long established principle that charities must exist for the *public benefit* but until the Charities Act 2006, this requirement was largely *presumed* in the case of charitable purposes in the areas of poverty, education and religion. The 2006 Act removed this presumption (effective from 1 April 2008) so *all* charities in England and Wales must now be explicit about the advancement of their charitable purposes for public benefit.

But whilst the Charities Act 2006 removed the presumption of public benefit it did not attempt to define the term, but simply says that it continues to apply as previously understood for the purposes of charity law. Hence, even today, it is necessary to examine centuries of case law to decide whether an organisation is properly established for public benefit, and hence whether it is actually a charity.

It has been generally agreed (and confirmed by the Upper Tribunal in the previous case concerning fee-charging independent schools<sup>17</sup>) that there are two principles to public benefit:

- the first principle is that the purpose itself must be beneficial (and there is no doubt that relieving poverty meets that requirement)
- the second principle is that the beneficiaries must constitute a "sufficient section of the public" (so, for example, a closed society which only benefits its own members cannot be a charity). Moreover, if there are any "private benefits" (e.g. to trustees) these cannot be more than incidental (and private benefits to trustees or connected persons are not allowed at all unless they have been sanctioned in one of the ways allowed by law).

The real concerns on the public benefit requirement relate to the second principle: questions have arisen as to whether a charity meets the public benefit requirement if the class of potential beneficiaries is too limited to constitute a "section of the public" – because of major restrictions on who can benefit.

In the case of charities for the relief of poverty, there were real doubts over the so-called "poor relations" cases – i.e. charities which were established purely to benefit

<sup>17</sup> [2011] UKUT 421 (TCC).



the poor relatives and descendants of the founder (a very limited class of beneficiaries, though not a closed class, as new beneficiaries could emerge in future generations).

In the key legal case *Re Compton*<sup>18</sup> the Court accepted the long established principle that a trust for poor relations could be a charity (even though this was seen as somewhat anomalous). However, some commentators suggested that the removal of the presumption in the 2006 Act may have reversed or severely curtailed the principle of allowing poverty charities to limit their beneficiaries to small groups such as poor relations<sup>19</sup>. If so, this could potentially impact on other types of poverty charities with a limited class of beneficiaries – for example a charity such as EDFET which (until spring 2011) restricted its beneficiaries to customers of a particular company – EDF Energy.

The Charities Act 2006 also created a *Charity Tribunal* (now formally known as the “First Tier Tribunal (Charity)”) to provide a judicial means of appealing Charity Commission decisions and to consider other issues of charity law, without going directly to the High Court. As part of this framework, the Act allowed the Attorney General (AG) to refer questions directly to the Tribunal – such *references* can relate to questions of principle: they do not have to concern a specific charity.

Because of uncertainty on the status of poverty charities with a limited nexus of beneficiaries, the Attorney General made a Reference to the Charity Tribunal in January 2011<sup>20</sup>. He requested the Tribunal to rule on whether a trust for the relief of poverty would now be a charity under the law of England and Wales in three cases:

- (a) if its beneficiaries were restricted to poor relations of specific persons;
- (b) if its beneficiaries were restricted to present and past employees of a specific commercial company; and
- (c) if its beneficiaries were restricted to members of a particular association (e.g. members of benevolent associations in particular industries).

It should be noted that the Attorney General’s Reference did *not* include charities whose beneficiaries were restricted to *customers* of particular commercial companies. In any case for most retail business the range of customers is much wider than the range of employees. So even if the Tribunal were to find that trusts in case (b) were no longer charities, it wouldn’t directly affect the status of charities like EDFET – although arguments by analogy might be made.

The case was referred to the Upper Tribunal (Tax and Chancery) and was heard at the Rolls Building Courts in London on 15-16 November 2011, with no less than 18 parties representing various benevolent charities joined as interveners. At the time of writing, the Tribunal Decision is still awaited. However, almost all the legal submissions before the Tribunal argued that the 2006 Act had *not* altered the previous principles, and hence that poverty trusts *could* still limit their beneficiaries to

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<sup>18</sup> [1944] Ch 378.

<sup>19</sup> The Charity Commission’s guidance *The Prevention or Relief of Poverty for Public Benefit* (ref PB2, para E3 – December 2008) says: “Although these restrictions [such as poor relations] have been held to be capable of being accepted as a sufficient section of the public where the charitable aim is the relief of poverty, that does not mean every restriction of the beneficial class will now be acceptable. Even where all the beneficiaries have to be poor, there may be circumstances in which the restrictions on who can benefit are either so limited or so irrational as to outweigh the normal public character of the relief of poverty.”

<sup>20</sup> Reference by the Attorney General pursuant to schedule 1D of the Charities Act 1993 concerning trusts for the relief of poverty – ref CRF/2011/0001 (First-Tier Tribunal) and FTC/84/2011 (Upper Tribunal).

groups of relatives, employees etc. if permitted by the governing document. Even the Charity Commission only argued that the law *might* be considered to have changed on this issue as a result of the Charities Act 2006 removing the presumption.

It should be noted that the provisions of the Charities Act 2006 (which was largely drafted in terms of amendments to the Charities Act 1993) have now been consolidated in the Charities Act 2011, so in considering the longer term impact, it is now clearer to speak about the requirements of the 2011 Act.

## The EDFET Change of Grant making Policy in April 2011

Whilst EDFET is not directly affected by the Attorney General's Reference, following legal advice on the issues, and to guard against any risk to EDFET of losing its charitable status (even though the risk may be small) a decision was taken by the trustees from April 2011 to change the grant making policy and allow anyone in the UK in fuel debt to apply to the trust. This decision was supported by EDF Energy.

However, for EDFET, this decision did not require any change to the Trust Deed as the charity's first object is: "The relief of poverty particularly among those who are unable to meet or pay charges for the supply of energy provided to premises used or occupied by them". There is no mention of customers of particular companies in the objects of the charity.

So, it seems the previous approach of only considering applications from EDF Energy customers was purely a policy decision – presumably on the understanding that this would assist in gaining further support from EDF Energy in the future. It does not appear that this was ever a formal condition from EDF Energy in the sense of creating a restricted fund within the EDFET accounts (the normal annual grant from EDF Energy to the Trust is shown as an unrestricted fund in the charity's accounts).

Whilst this was not a legal change, the broadening of the beneficiaries for individual grants has made a difference to the vision of the charity, and the implications of this were discussed with stakeholders.

## Related Issues of Charity Law: Benefits to the Donor

Whilst there could be possible issues in future from the removal of the presumption of public benefit under what is now the Charities Act 2011 (depending on the outcome of the Attorney General's Reference), it became clear in discussions that stakeholders were also concerned with *other* issues concerning the relationship between the charity and its primary donor.

In particular, it seemed there was a lack of clarity for some stakeholders as to whether the work of EDFET could be considered to lead to a substantial private benefit to its donor (EDF Energy). For example if the trust settles an applicant's fuel debts which EDF Energy might otherwise have had to write off, *it could possibly be argued* that the main benefit of the grant was not to the recipient (if their fuel debt would have been written off anyway) but to the energy supplier.

If substantial private benefits were arising to a commercial business, this could create problems for the trustees of EDFET in showing the charity was established for public benefit, *regardless* of the outcome of the Attorney General's Reference.

Private benefits which are more than incidental, can threaten the public benefit requirement, and hence lead to the loss of charitable status as a matter of charity law.

However, concerns around benefits to substantial charity donors have received added impetus in recent years as a result of tax legislation designed to trap those using charities to gain improper benefits.

The “substantial donors” legislation in the Finance Act 2006 donors was widely criticised, and has now been replaced with the more workable “tainted donations” provisions in the Finance Act 2011<sup>21</sup>. But it remains the case that where a donation to charity is linked to arrangements which lead to financial advantage for the donor, and where it is reasonable to assume that the donation would not otherwise have been made, then a donation is “tainted”.

For all these reasons, it is therefore essential if EDFET is to retain its charitable status that no arrangements are made which have the effect of leading to substantial private benefits to EDF Energy or arrangements under which EDF Energy gains financial benefits.

These are subtle issues which trustees need to consider, but they do not necessarily present problems, for the following reasons.

There are good arguments as to why the direct financial benefits to EDF Energy from the Trust may be very limited or negligible – if this is the case there is nothing for trustees or the donor to worry about.

In the first place, EDF Energy makes a donation to the Trust as corporate gift aid, but it has a policy of donating the corresponding tax saving to the Trust – so there is no tax benefit to the donor (even though it would be perfectly legitimate for EDF Energy to retain the tax saved through charitable gifts). Moreover, EDF Energy would not get any more tax saving by giving through the Trust than they would get if such expenditure were made directly as normal business expenditure towards a customer hardship fund or equivalent.

Then in cases where the Trust supports a grant applicant to file for bankruptcy, EDF Energy will potentially be worse off as the customer’s fuel debt will be written off. Even in the case of normal energy grants by the Trust, EDF Energy would, in many cases recover the debt over a long period through a prepayment meter, so there is certainly no improper benefit to EDF Energy in these cases.

It might be argued that some financial benefit arises to the donor in the case of a normal grant from the Trust which clears a customer’s fuel debts and where EDF Energy would not otherwise have written off the debt. But the benefit to the donor may be no more than a cash flow benefit if the debt would otherwise have been collected over a period of time (whether through prepayment meters or otherwise).

And clearly there is no financial benefit to the donor when the Trust makes FAP payments or clear fuel debts for applicants who are not EDF Energy customers.

It follows, therefore, that any concerns under charity law or tax law that EDF Energy is somehow gaining questionable benefits from supporting the Trust can almost certainly be challenged successfully: there are excellent arguments as to why EDF Energy's support from the Trust is a genuine and positive expression of charitable support for those facing energy-related poverty.

Moreover, EDF Energy itself is not a trustee and does not directly appoint any trustees, so there is no suggestion of private benefit to trustees or their families or businesses.

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<sup>21</sup> Finance Act 2011, s.27 and Schedule 3.

Of course the reasons for EDF Energy to support the Trust are much broader than financial and the company will gain from other benefits. Some of these other benefits are explored earlier in the report. But incidental reputational benefits which cannot be measured in financial terms do not present a problem.