

Annual Report and Resource Accounts 2009-10

Annexe I

Summary of progress against the CSR07 Performance Framework Agreement

2009-10 is the second year of the performance framework for 2008-11 that the OFT agreed with the government as part of the 2007 Comprehensive Spending Review (CSR07). This framework provides our four main objectives and underpins our work, setting out our commitments to the Government, consumers and businesses.

The table below provides a summary of key activities undertaken in relation to the CSR07 Performance Framework Agreement to 31 March 2010.

Objective 1: to deliver high-impact outcomes		
<i>No</i>	<i>CSR07 Commitment</i>	<i>Current position</i>
1	In each Annual Report provide quantitative evidence of how the OFT delivers direct financial benefits to consumers of at least five times that of its cost to the taxpayer across the spending review period.	<p>We began publishing this evidence before the start of the CSR07 period, in the Annual Report for 2007-08, and we have continued to do so in subsequent Annual Reports.</p> <p>Our most recent estimate, published in the Annual Report 2009-10, is that on average the OFT delivered consumer savings of £359m each year over 2007-10. This means that the OFT delivered estimated consumer savings of seven times its cost to the taxpayer over the three year 2007-10 period.</p>

2	<p>In each Annual Report estimate the additional wider benefits of OFT's work, e.g. increasing consumer and business confidence in markets and deterring future anti-competitive behaviour.</p>	<p>In November 2007, we published independent research which indicated that the wider deterrent effects of the OFT's merger control work and competition enforcement brings consumer savings several times the size of the savings resulting directly from this work.</p> <p>In November 2009 we published a report on consumer confidence which confirmed that key indicators were moving in the right direction, particularly in markets where the OFT had intervened. It also showed that, overall, the UK performs well on consumer rights, information provision and switching indicators, with OFT activities positively influencing consumer confidence in specific areas.</p> <p>The results of these pieces of work were reported in the relevant Annual Reports and in more detailed stand alone reports.</p>
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3	<p>Publish annually statistics and information on all the OFT's enforcement and non-enforcement outcomes, including comparisons with previous years' statistics and, where applicable, other leading NCAs.</p>	<p>We publish detailed statistics and information on our enforcement and non-enforcement outcomes each year in Annexes to our Annual Report. For the Annual Report 2009-10, we have redesigned the annexes to set these statistics out more clearly and to include more comprehensive comparisons with previous years across the range of our enforcement and non-enforcement outcomes (including, for the first time, our market studies).</p> <p>There doesn't currently exist an international framework for statistical comparisons of enforcement and non-enforcement outcomes between NCAs that is robust and takes proper account of the differences between competition agencies internationally – such as powers, jurisdictions (for example the existence, or otherwise, of concurrency type arrangements) and design of regimes (for example, single or two stage regimes, prosecutorial or decision-making).</p>

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Publish a project performance management system, including anticipated timeframes for the completion of principal types of projects, and report annually on performance against this framework and the proportion of projects delivered within the anticipated timeframes (with explanations for projects not completed in time).

We are committed to improving the timeliness of investigations and this has been taken forward as part of the 'Transparency' project which looked at consolidating the information that we provide on our activities to parties and the wider public. Following a public consultation, we will publish, in May 2010, a statement outlining our transparency approach. The statement will include commitments to improve engagement and communication with interested parties, for example, where possible making public key milestones as well as providing an improved public record of our work. The statement will also contain a commitment to publish more performance data as a part of our Annual Report.

During the Business Planning process for each financial year, OFT Groups provide details of anticipated timeframes (in the form of key milestones for their main projects) the delivery of which we use to measure performance. Reports on this delivery are presented to the Board on a quarterly basis, with an analysis of the proportion of milestones met and the reasons for any slippage.

The different characteristics of different projects mean that it would be impractical for OFT to publish timescales which could be met in all cases. For instance the time within which OFT can complete Competition Act cases can be affected by a number of external factors which are outside OFT's control.

See also commitment 13 on innovative approaches to our work.

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Publish and continue to develop a framework for prioritising work, drawing on information from complaints to OFT and Consumer Direct, proactive market monitoring and project evaluation work. Report annually on how the framework has been reflected in projects carried out.

The Prioritisation Principles were published in October 2008. Since then we have focused on ensuring the principles are understood and interpreted consistently throughout the organisation. In September 2009 we held a stocktake with our Board on how we make prioritisation decisions. In February 2010, we held an internal audit on case selection and prioritisation, whose findings were largely positive. A larger review of the prioritisation principles is scheduled for October 2010, two years after their publication.

We continue to integrate the information we gather from Consumer Direct and project evaluation into our decision making wherever appropriate.

The Prioritisation Principles describe the factors that we consider and balance when we make decisions on our priorities, and are grouped under four headings: impact, strategic significance, risk and resources. Prioritisation decisions are made on a case-by-case basis, according to the circumstances of the case in question, and how it compares to alternative possible uses of resource.

The September stocktake found that the majority of our resources have been spent on work which either originated prior to introduction of the Prioritisation Principles or was a result of a statutory or other obligation. With regard to projects which we chose to start, high impact was the main driver for just over half of projects. Other work was started for a range of strategic reasons, including its potential for demonstrating leadership, developing our organisational capabilities, or adding greater balance to our overall portfolio.

6	Publish detailed performance monitoring arrangements for Consumer Direct and report annually on success against those targets. Demonstrate that Consumer Direct is generating benefits of at least three and a half times its operating costs.	<p>We publish details of Consumer Direct's performance – including estimated consumer savings, call and email volumes, and customer satisfaction levels – in each year's Annual Report.</p> <p>We estimate that, during 2009-10, Consumer Direct generated £129m in consumer benefits. Given a cost base of £12.2m, this represents a benefit-to-cost ratio of over 10:1.</p> <p>We estimated that, over 2009-09, Consumer Direct saved consumers at least £127m. Given a cost base of £14m, this represented a benefit to cost ratio of 9:1.</p>
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7	Ensure that investigations are conducted in a transparent manner, with parties frequently informed of the status and anticipated time frame of the investigations in which they are involved.	<p>As described above, in summer 2010 we plan to publish a statement outlining our approach to transparency. The statement contains a number of commitments relating to improving the consistency of engagement with those directly involved in our work. We have committed to sending parties case initiation letters at the start of an enforcement case, where feasible and sensible to do so, which will include: a summary of the conduct or issue being investigated, the relevant market or sector, OFT contacts for the investigation, and where possible timeframe information including the next milestone. We are committed to keeping parties informed of any changes to our timescales or project team members.</p>
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Objective 2: to be a centre of intelligence and excellence

<i>No</i>	<i>CSR07 Commitment</i>	<i>Current position</i>
8	Systematically monitor markets, with the aim of progressively increasing impact from the proactive market studies, investigations and advocacy programme, as measured by increases in consumer welfare or other relevant indicators of impact	<p>The OFT's structure is based on three sector-based market Groups (Goods, Services and Infrastructure), and three instrument-based Groups (Consumer, Mergers, and Cartels and Criminal Enforcement). This enables us to focus our attention across markets, and to develop and apply sectoral expertise. These teams have dedicated intelligence teams which monitor developments and develop proposals for new market studies and investigations. Our Enquiries, Preliminary Investigations and Consumer Direct teams monitor complaints and concerns raised by the public and stakeholders to ensure that the OFT responds effectively.</p> <p>As described under commitment 5, our prioritisation framework considers available information on impact as a key factor in targeting our interventions.</p> <p>See also commitment 17 regarding advocacy work.</p>
9	Publish objective criteria for undertaking and terminating market studies	We launched a consultation on revised market studies guidance in May 2009. The revised guidance explains why the OFT conducts market studies, the principles we use to select markets for study and how we manage study projects. It also identifies the potential outcomes of a study and sets out how we evaluate our work. We expect to publish final guidance in summer 2010.

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Evaluate the impact of at least two market interventions (including at least one market study) annually and publish the results. Evaluate the specific impact of consumer campaigns on at least two markets per year, and report on the results.

Evaluations of OFT interventions are published on the OFT website at: <http://www.of.gov.uk/OFTwork/policy-and-research/evaluation/publications>

During 2009-10, we published evaluations of the impact of our consumer credit work, a sample of consumer enforcement cases, and the 2003 OFT market study into the control of entry regulations and retail pharmacy services in the UK. By analysing the results from omnibus surveys and a web sweep, we also monitored the impact of our 2007 internet shopping market study. During the year, we continued to work towards improving our understanding of the impact of our consumer awareness and education campaigns and key findings are set out in the Campaigns and Education section of our Annual Report 2009-10.

During 2008-09 we published an evaluation of the impact of our work on extended warranties, a review of merger decisions (with CC and BIS), and an evaluation of our Save Xmas consumer campaign. We also monitored the markets for internet shopping and small and medium-sized enterprise banking.

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Demonstrate an increasing awareness of OFT's work and role, through measures such as survey evidence and number of website hits.

The OFT's public profile will continue to increase as we place emphasis placed on high-impact work. Work on personal current accounts, dairy, tobacco, and construction have all achieved high levels of media coverage.

We no longer carry out regular formal surveys on awareness of OFT, mainly on cost grounds but also because public awareness of OFT is not a core communications objective in 2008-11. We did, as part of our survey work for Consumer Direct in spring 2009, measure public awareness of OFT. This showed that prompted awareness of OFT is extremely high at 87 per cent.

We are increasingly using consumer insight to shape our communications approach. Our latest survey of consumer satisfaction with Consumer Direct is very positive. For example:

- the customer satisfaction average for last year is 83 per cent
- 92 per cent say they would/probably would use CD again
- 89 per cent would recommend CD to others, 51 per cent even if not asked
- 85 per cent benefitted by saving time, 78 per cent benefitted by reduced worry/stress, 34 per cent avoided having to take time off work
- 48 per cent are now more confident in dealing with consumer issues.

Assessments of our campaigns activity are also encouraging:

- We generated good national and local coverage, all of it positive in tone, for scams and doorstep selling campaigns.
 - Our scams ticketing activity generated 131 media articles, with an opportunity to see of over 66 million and equivalent advertising value of £743,620. On budgetary spend of £94,000, research findings showing that 15 per cent of the campaign target audience reported seeing or hearing something about scam ticket websites and how to recognise them, was a highly satisfactory outcome.
 - Doorstep selling secured 98 media articles, with an opportunity to see of 30 million and equivalent advertising value of £321,863. Post campaign research findings showed a seven per cent increase in those saying that they had recently seen or heard advertising or publicity about doorstep trades people.
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12	Take action to drive up the average quality of complaints received, and respond to 90 per cent of public enquiries within 10 days.	<p>In each year of the CSR07 period to date we have met or exceeded the target of responding to 90 per cent of public enquiries within 10 working days.</p> <p>We have focused on improving the relationships between the relevant parts of our Enquiries and Reporting Centre (ERC) and Preliminary Investigations team to improve the quality of complaints that start as a phone call but end up as a write in. ERC is also working with Consumer Direct to ensure callers contact the correct organisation in the first instance in order to help drive-up the quality of complaints received by ERC. ERC introduced frequently asked questions (FAQs) to the OFT website in May 2009. This has assisted in managing some of the more basic requests, with 2500 -3500 hits per month. The FAQs have also helped to manage consumers' expectations and to drive up the quality of complaints received.</p> <p>ERC analyses the information it gathers to inform our interventions. For instance, data gathered by the ERC was instrumental in our decision to launch a market study into Isle of Wight ferry services and our investigation into companies that offer to buy gold from consumers through the post.</p>
13	Demonstrate the use of innovative and appropriate approaches to market problems, recording in the Annual Plan examples such as direct settlement, third party interventions and new types of study.	<p>Some examples of innovative and appropriate responses to market problems are: working on new ways to resolve competition cases through direct settlements across a number of cases including the Dairy case; giving of high-level guidance to the newspaper and magazine distribution industry as part of our non-reference decision; and the sale and rent-back market study which was launched, conducted and published within just five months in order to address detriment that was increasing sharply due to changing economic circumstances.</p> <p>We have also begun to trial a new short form opinion procedure to provide additional guidance on competition law issues to business on prospective collaboration initiatives.</p> <p>We have set up a new team of competition specialists with the particular goal of being more streamlined and innovative in our competition enforcement work.</p> <p>The case summaries in OFT Annual Reports outline the innovative and appropriate approaches taken to market problems.</p>
14	Maintain or improve OFT's	In the most recent (as at 31 March 2010) Global Competition Review report (published in June 2009), the OFT was rated as four and a half stars out of five and achieved an

<p>rating as one of the top consumer and competition authorities in the world as measured by BERR's peer review, Global Competition Review and other appropriate measures.</p>	<p>improved position in the 'Very Good' category. In the previous year we had maintained a rating of four stars and a place in the 'Very Good' category.</p> <p>The last BERR (now BIS) peer review was published in June 2007, putting us third behind the US and Germany, but stating that we had narrowed the gap with US and were only just behind Germany. Although the next peer review was due to be prepared in 2009, changing workload and priorities at BIS have postponed the review.</p>	
<p>15</p>	<p>Monitor and increase the number of OFT decisions cited favourably in international competition and consumer policy debate (e.g. through LexisNexis citations).</p>	<p>Although it might be possible to obtain, for example, a crude figure for the total number of times the OFT has been mentioned in journals, at present there does not appear to be a cost-effective and reliable method of monitoring whether decisions are cited favourably.</p> <p>The European Commission is exploring the possibility of establishing a system to monitor the written media. A web-based tool for media monitoring has been developed (European Media Monitor) and will initially monitor how often enforcement authorities (including OFT) are quoted in the press.</p> <p>Initiatives such as those described under commitment 13 above, demonstrate our efforts to increase the number of high quality decisions we issue.</p>

Objective 3: to work in partnership

<i>No</i>	<i>CSR07 Commitment</i>	<i>Current position</i>
16	Deliver and extend the joint implementation plan with Local Authority Trading Standards Services (TSS). Demonstrate a more consistent, better-coordinated service delivery, and a more risk-based approach, leading to reduction in the administrative burdens placed on fair-trading businesses, promotion of the well-being of local communities, and improved economic productivity and efficiency.	<p>We have agreed a partnership framework with TSS to facilitate more effective joint working. The framework articulates more clearly our respective roles and responsibilities, including details of how and when we will undertake to represent TSS. Beneath the framework sit a number of protocols (including the referral of TSS cases to OFT and a template agreement for TSS undertaking credit compliance visits on our behalf), which provide more detail on our operational relationships.</p> <p>We have agreed a memorandum of understanding (MoU) with the Local Better Regulation Office (LBRO) to establish formally our respective roles in delivery of better local regulation as it affects TSS and to make clear how our responsibilities for coordinating TSS civil activity under Part 8 of the Enterprise Act can complement the Primary Authority requirements under the RES Act.</p> <p>We have contracted for an OFT intelligence system that will enable TSS to share and analyse intelligence on a national basis, both with the OFT and across TSS. The efficient use of intelligence lies at the heart of ensuring that TSS can adopt a coordinated, risk-based and proportionate approach to enforcement. The system will also provide the OFT with an invaluable source of analysed intelligence that is likely to inform our enforcement and market study work.</p> <p>We have also developed robust methodologies that provide TSS with an agreed and consistent means of estimating the consumer savings that result from their fair trading work. These were published in June 2009 and TSS can now use the methodologies to assess the impact of their work in order to better inform planning and prioritisation decisions while also improving external accountability. We applied the methodologies to work undertaken by a representative sample of TSS to estimate that TSS fair trading work delivers direct consumer savings of at least £347m a year, with consumers saving £6 for every £1 that TSS spend.</p> <p>We also support the LACORS Trading Standards Policy Forum, which acts as the national</p>

Strategic Tasking and Coordination Group for TSS, through producing an annual UK-wide Strategic Assessment, and through the facilitation of an Intelligence Operations Group that helps the Regional Intelligence Officers and TSS regional leads to develop their intelligence capabilities. This allows more effective targeting of enforcement action, and helps identify areas where businesses or consumers need greater support or guidance

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Have an increasing impact on government policy through RIA assessments, regulatory reviews and wider advocacy work, and monitor and improve the feedback we receive from OGDs through our advocacy work.

Through its programme of proactive contact with other government departments, the Competition Advocacy team has raised awareness of competition across government. Key issues highlighted through our advocacy work include competition impacts of climate change policy, healthcare regulation, defence procurement and voluntary agreements sponsored by government departments to achieve policy aims without regulation. The team has also responded to calls for advice as knowledge of its activities has spread, and offered training to other departments on competition issues.

Highlights include:

- Publication of 'Government in Markets: a guide for policy makers', and accompanying speech by the OFT Chief Executive. We have used this to raise awareness of competition issues across government, and provide practical advice on policy design.
 - Published a report on competition effects of environmental product standards to influence government approach to implementing the Energy using Products Directive, and provide wider advice on introducing product standards.
 - Published a report on competition and choice in public services, and also carried out a related project on mixed market competition and competitive neutrality. These projects have established OFT as an important contributor to the debate on public service reform.
 - Worked with Department of Health to establish competition principles and the new Competition and Cooperation Panel, launched in January 2009.
 - Provided advice to departments on competition assessments of new policies in a range of areas including: alcohol pricing, energy efficiency, pensions. Responded to all direct requests for advice.
 - Worked with BIS and Treasury to review competition law exclusions in the
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defence sector.

- Led cross-government Competition Forum meetings in October on voluntary agreements, in March on industrial policy and financial services, in September 2009 on government's role in markets, and in February 2010 on competition in public services.
 - Led seminar on competition issues for Scottish Government economists.
 - Contributed to work on Financial Services Strategy, and advising government on banking issues.
 - Contributed to opening up of Ordnance Survey data, through involvement in steering group for Trading Funds Assessment, and subsequent advocacy advice to the Shareholder Executive and others.
 - We published an independent evaluation of our advocacy work, which indicated that our advice is highly regarded by government departments and generates direct benefits which strongly outweigh the costs of the team.
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Objective 3: to develop the OFT as an organisation

<i>No</i>	<i>CSR07 Commitment</i>	<i>Current position</i>
18	Identify the skills profiles required to deliver the OFT's strategic goals; actively shape the staff profile to match these. Publish annually information on the skills of existing staff and new joiners.	<p>In July 2009 we finalised a People Strategy which provides a framework for leading, managing and developing our people over the next 3-5 years. It is underpinned by an annual people plan setting out the priority actions needed to fulfil the strategy and by more detailed individual strategies for Recruitment, Learning and Development, Reward, Employee Relations, Diversity and Internal Communications.</p> <p>Additionally, the Professional Skills for Government (PSG) competency framework has been adopted after a successful pilot with staff at Grades 6 and 7. The framework profiles core skills along with the professional knowledge and skills and the broad experience expected in each grade that determine an individual's level of competency against which individual assessment can be tested and development needs understood.</p> <p>The Planning, Performance and Development Review process has been improved to include a focus on development objectives and skills improvement/gaps based on the PSG and achievement of individual objectives.</p> <p>A development programme aligned to the Civil Service Leadership Development Framework is being produced for the Senior Executive Team and the wider director group so that leadership skills and behaviours are shared and consistently demonstrated. Work has begun on a succession management process for staff at the senior leadership levels.</p> <p>A training needs analysis (TNA) has been completed for staff at Grades 6 and 7 to help identify training needs for individuals and groups in the context of group and organisation-wide objectives and other indicators. The results of the TNA shaped the 2009-10 Learning and Development Plan which will help proactively manage skills acquisition/development within the organisation and ensure they are congruent with the capabilities, knowledge and skills needed by the OFT to do its work.</p> <p>Our Learning & Development Strategy has been re-written to take account of the findings of the TNA, training priorities highlighted by other indicators, and the new People</p>

Strategy.

19	Provide an environment that rewards talent, and with structures and culture that enable staff to develop as far and as fast as they are able.	<p>Many of the initiatives outlined above in relation to commitment 18, particularly around learning and development are expected to address this question too.</p> <p>In order to encourage a culture where consistent people management practices operate across all groups, a meetings and communications framework was developed and launched setting minimum standards for meetings and communication with staff, line managers and senior directors.</p> <p>The Planning, Performance and Development process has been improved to recognize and reward individuals around three specific areas: objectives that reflect organisational/group priorities, behaviours that are aligned to the OFT values, and development that is targeted on skills/knowledge gaps (i.e. versus OFT capabilities and the PSG framework).</p> <p>A range of learning and development courses were provided internally and attended by staff with an average rating of good or excellent achieved for content and delivery.</p> <p>A general but low-key introduction of standard organisation design principles has been made with these being championed to facilitate the creation of effective organisational structures and roles that promote higher performance and offer better career development. The adoption of these principles is expected to take place during local restructures as and when they are needed.</p> <p>A review of recognition schemes within the OFT has been completed. A new scheme and improvements to existing schemes have been introduced to recognise staff in small and more flexible ways.</p> <p>A number of the Senior Executive Team (SET) are working on the development of SET and the wider director group to agree a common way of working with each other and leading the office.</p> <p>A number of SET are working on how best examples of 'Living the Values' and/or excellent leadership can be communicated to the rest of the organisation encouraging benchmarking and a story of shared leadership.</p> <p>A culture management programme has been initiated to review and develop OFT's culture to align with and support its mission and plans. Starting with OFT Board in April</p>
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2009, the programme has audited the culture from the standpoints of Groups across the office. This has led to the planning and execution of a wide range of actions taken by the Groups themselves to develop the culture. The next phase will be to review progress and make adaptations after the next review of OFT strategy by the Board in mid-October 2010.

A project is underway to develop proposals for a career development framework for all levels of staff in OFT.

Development Centres have been designed and implemented for Grade 6 staff to assess their development needs and put in place development action plans. Consideration is being given to extending the Centres to other grades.

20	Monitor and report on the destination of staff leaving the OFT and use this information to inform work towards achieving targets 18 and 19.	Exit interview processes have been introduced with guidance issued to managers and information posted on the intranet for all staff. Changes have been made to the HR database and exit interview surveys to enable the capture of information around reasons for leaving and future employers of leavers, although the latter is dependent on leavers providing this information which is voluntary. A report on leavers is being provided to the Board quarterly.
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