

Business Plan 2011–2015

Office of Fair Trading

December 2010

This plan will be refreshed annually *

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* Please note that this Business Plan is separate from OFT's Annual Plan which is also published on OFT's website

A) Vision

The OFT is the UK's primary competition and consumer agency. Our mission is to make markets work well for consumers. Our work enables competitive markets to deliver the incentives for greater business efficiency, and to ensure that firms are responsive to consumer demands. Our goal is for competitive, efficient, innovative markets where standards of consumer care are high, consumers are empowered and confident about making choices and where businesses comply with consumer and competition laws but are not overburdened by regulation. In working towards this goal we are contributing towards the two central objectives set out by the government:

Equipping Britain for long-term success ('Horizon Shift')

Competitive, well-functioning markets have a vital role to play in bringing about economic recovery without adding costs to government or business. Competition stimulates businesses to meet their customers' needs, to innovate and to become more efficient. At an aggregate level, this process drives long-term productivity gains and supports stronger economic growth.

The OFT provides substantial economic value by ensuring that markets are competitive. As an integrated competition and consumer agency, we are able to address problems on both the demand and the supply side of markets, and tackle public and private restrictions to competition. We do this by combining strong enforcement – maximising its deterrent effect – with support for compliant businesses, consumer education and advice, and government advocacy.

Recent work has focused on UK sectors that are strategically important for growth, addressing issues such as the ownership of UK infrastructure, competition in financial services, and consumer trust in the internet as a commercial channel.

Over the spending review period, we will target our resources at issues that matter most to consumers and the economy. For the early part of the period this will include a focus on choice and contestability in public service delivery and promoting competition in online, low carbon and other high innovation markets.

Putting power in the hands of communities and individuals ('Power Shift')

Confident, informed and active consumers drive competition through the choices they make, and are able to protect themselves from unfair trading practices, reducing the need for regulation or other burdensome interventions.

The OFT uses a range of tools to ensure consumers are empowered. Through Consumer Direct, education and awareness campaigns we help consumers make active and informed choices between rival offerings, and to stand up for their rights. We support Trading Standards Services to help them deliver more risk-based and consistent enforcement at a local level. National enforcement assists this, for example by setting legal precedent and ensuring a joined-up approach to tackling problems.

As public services are opened up to choice and competition, citizens are faced with a new set of complex choices about the services they receive. Over the spending review period we will build up our role in providing specialist advice to other departments who are looking to use competition and choice in public service delivery. We will also use market studies to advocate the removal of regulations where they restrict competition. In addition, we will redouble our efforts to involve citizens in our prioritisation through more substantial consultation about our annual priorities, and our future pipeline of work. We will also publish more information about our work, both to promote compliance and engagement, and to allow people to judge how well we are meeting our objectives.

B) Coalition Priorities (1 / 3)

OFT business as usual priorities

The OFT is a non-ministerial department. We are primarily a delivery agency, responsible for enforcing competition and consumer law in an independent way. We do not set the policy framework in the areas in which we operate. Rather, we prioritise individual cases according to their impact and strategic significance for UK consumers and the economy.

We are constantly seeking ways to increase the overall efficiency of our work, and we aim to minimise burdens on both the taxpayer and on business.

There are two key elements to our intended direction of travel for the next 1–3 years:

High impact enforcement to achieve compliance with competition and consumer law

- Address issues that really matter to the economy and consumers.
- Increase efficiency of competition enforcement.
- Increase impact and profile of consumer and credit enforcement.
- Maximise the deterrence effect of our enforcement activities.
- Deploy competition and consumer tools flexibly, and maintain a balance of use across our major tools.

Influencing and changing behaviour of businesses, consumers and government to make markets work well

- Greater compliance by business, reinforced by our enforcement activity.
- More active and informed consumers with sufficient protection for the vulnerable.
- Be an objective arbiter of markets.
- Act as a source of advice and expertise about the impact of Government activities on markets.
- Continuous improvement to the competition and consumer regimes.
- Increase our effectiveness by improving our ability to work with and through selected partners.

B) Coalition Priorities (2/3)

Fit with coalition priorities

Freedom, fairness and responsibility are all integral qualities of well functioning markets, and are values that the OFT promotes across the full range of our work.

Freedom

The OFT helps ensure that firms are free to compete on an even playing field, by:

- Enforcing the law against anti-competitive practices that restrict freedom to enter or expand in a market.
- Advising government on how best to remove regulations and amend policies that distort free competition.
- Investigating mergers and referring to the Competition Commission those that may substantially lessen competition within a market in the UK.

We also ensure that consumers are free to choose between competing firms, by:

- Working with business to make sure consumers have the information they need to make choices about complex and opaque products.
- Taking action against unfair practices that lock consumers in, or undermine confidence, especially where they affect vulnerable or disadvantaged consumers.
- Informing consumers about their rights, so that they are empowered and are able to make active and informed choices.

Fairness

The OFT helps ensure that trading relationships between businesses and their customers are fair, by:

- Taking action against traders who engage in aggressive or misleading practices.
- Redressing significant imbalances in contract terms between businesses and consumers.
- Focussing our protection activities on vulnerable consumers.

We also promote fair competition between firms, by:

- Advising government to ensure that its activities in markets maintain a level playing field, and do not distort competition.
- Ensuring that rival businesses compete with each other on the merits of how well they can meet their customers' demands.

Responsibility

Well functioning markets rely on all parties involved fulfilling their responsibilities. As an integrated competition and consumer agency the OFT can consider all aspects of a market, and make sure that:

- Businesses take responsibility for treating their customers fairly, competing on the merits rather than cutting corners, and complying with their obligations under consumer and competition law.
- Consumers take responsibility for asserting their rights and respecting their obligations, making active choices, and seeking redress where things go wrong.
- Government takes responsibility to ensure that where its actions affect markets, directly or indirectly, they do not distort competition.

B) Coalition Priorities (3 / 3)

Examples of activities the department will no longer do

The OFT is an organisation that works to deliver a single core objective – to make markets work well for consumers. We prioritise our work to tackle areas of greatest consumer harm. As a consequence, we do not propose to drop any of our major activities.

However, we have a large number of statutory functions, not all of which deliver the same level of impact to consumers. We would be happy to engage in a debate about which of these could be de-prioritised. This would require legislation in some instances.

In any event, budget reductions will require us to make changes to what we do, and how we do it:

We will focus more closely on our core activities

By focussing efforts on core competition and consumer enforcement functions, we aim to divert the maximum amount of resources towards activities that produce direct market outcomes.

Reduced resources require that we get even better at prioritising which cases to take on, making sure that we focus on the areas that matter most to consumers and the economy.

Focussing on the core means that we will spend less resources providing intellectual leadership to the international competition and consumer agencies.

We will deliver further efficiencies to limit the impact of budget reductions on front line outputs

The OFT has already become more efficient in the last three years in order to meet 5% year-on-year budget reductions.

We have identified additional efficiencies that will allow us to manage further budget reductions in a way that minimises the impact on outcomes for UK consumers and the economy.

For example, significant savings will be extracted through a radical overhaul of our back office functions. We will also improve decision making to support faster and more effective delivery of cases and projects.

Where appropriate we will seek to make our activities self funded, so that they are no longer paid for by the taxpayer

We are proposing to consult on making the Consumer Codes Approval Scheme self funding if responsibility for promoting consumer codes is not transferred elsewhere in line with wider Government proposals.

We will work with Government to consider other areas – for example, an additional band of merger fees for larger transactions, and cost recovery for investigations.

Proposals for changes to the competition and consumer regimes

The Government is planning to consult on changes to the competition and consumer landscapes. We are actively engaging with Government and will continue to do so as it consults on the design of the new competition and consumer regimes. We will also constructively engage with organisations implicated in the proposed changes to ensure smooth and seamless transition of affected functions once decisions have been made.⁴

C) Structural Reform Plan

The Office of Fair Trading has agreed with Cabinet Office and HM Treasury that it does not need to produce a Structural Reform Plan.

D) Transparency

This section outlines the department's contribution to the Government's new system of democratic accountability. It includes the information that will be available to the public on quality and productivity of public services to enable users and taxpayers to hold providers and government to account.

This section sets out:

- The department's **information strategy**
- The **inputs** that go into the public services it is responsible for
- The indicators it will publish to demonstrate the **impact** it is having on public services

D) Transparency: information strategy

- Transparency is a key operating principle for the Office of Fair Trading and will be championed by Vivienne Dews (Executive Director).
- The Office of Fair Trading will operate transparently and transparency will form a condition of our funding. Our default position is that all OFT data will be published, although we will continue to protect sensitive data and we will comply with our obligations under the Data Protection Act 1998 and Part 9 of the Enterprise Act 2002. Where data is published we will be in line with the Public Data Principles and registered on data.gov.uk.
- The Transparency agenda will help the Office of Fair Trading continue to deliver better services for less money.
- We recognise that while we are trying to make the list of data we release as exhaustive as we can gaps may still exist. We will review these gaps and seek to address these.
- The OFT will seek to highlight data that is being released for the first time.
- We will also publish on our website in reusable form, all information released in response to Freedom of Information requests.

D) Transparency: information strategy

In support of the transparency agenda the Office of Fair Trading will be undertaking the following key steps to support the transparent publication of its data:

Transparency initiatives that the OFT has put in place already

- In May 2010 we published our Transparency statement. The Statement sets out our commitments to those involved and interested in our work in terms of how we will engage and what information we will provide throughout the life of a case or project. The commitments in our Statement include: consistently provide parties with information at the start of an enforcement action, including OFT investigation team contact details and timescale information; regularly update parties on case status and timescales including, where appropriate, providing draft information requests in advance of issuing them formally and sharing provisional thinking.
- Since 01 January 2009 the OFT has published a clear, easy to use model publication scheme which is maintained regularly.

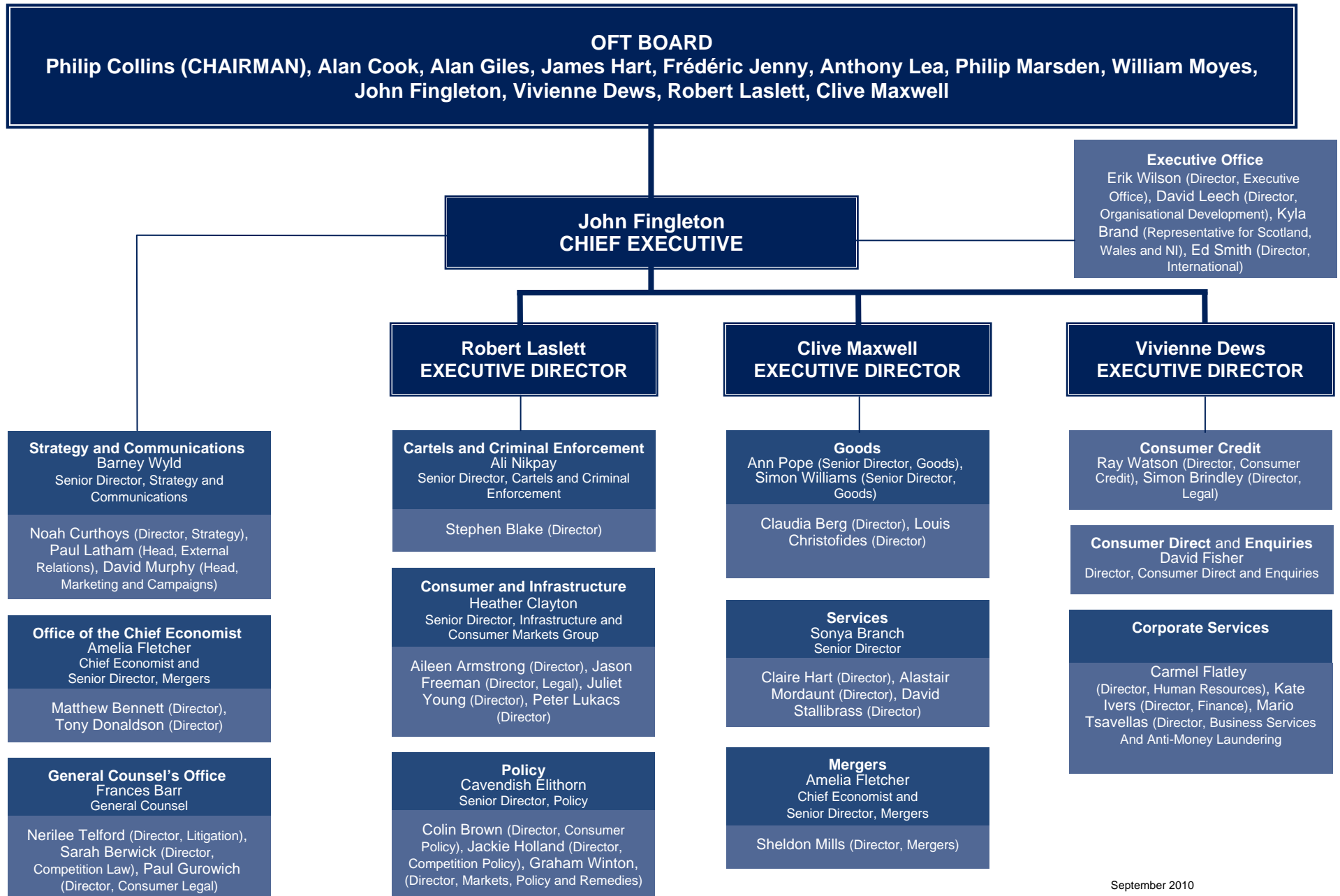
Transparency initiatives the OFT is implementing currently

- On 10 May 2010, we relaunched our website. The new website facilitates transparency by improving navigability and creating defined 'landing pages' for key areas of work.
- We have a dedicated page on our website (accessible from every page of our website) that details the work we are doing to improve our transparency. It is possible for people to give feedback through the page.
- We are currently consulting on CA98 procedural guidance aimed at providing clarity and consistency for those involved in investigations.
- We have recently consulted on how we could be more transparent, so if possible we could set out our plans for the next project.

Future transparency initiatives that we are planning

- Publication of a number of indicators including: monthly Board reports on income and expenditure; the average cost of a merger review (on an annual basis); cost of procurement as a percentage of total cost of OFT (on an annual basis); a list of all expenditure over £25,000 (on a monthly basis); and cost of consultancy as a percentage of total costs of OFT (on an annual basis).

D) Transparency: inputs (organogram)



D) Transparency: inputs (resources)

Departmental expenditure

This section sets out the department's planned expenditure over the Spending Period, as agreed with the Treasury. It is split into money spent on **administration** (including the cost of running departments themselves), **programmes** (including the frontline), and **capital** (for instance new buildings and equipment).

£M	2011/12	2012/13	2013/14	2014/15
Total departmental expenditure allocation	56.977	54.263	51.785	49.658
Administration spending	16.656	15.501	14.337	13.038
Programme spending	39.659	38.093	36.846	35.857
Capital spending	0.662	0.669	0.602	0.763

These figures exclude depreciation

D) Transparency: inputs (indicators)

The Office of Fair Trading will adopt the following input indicators.

Input indicator	How often will it be published?
1. We will publish fee levels for Consumer Credit Group and Anti-Money Laundering operations. (A fee that is flat or declining in real terms would indicate improved productivity).	Annually
2. We will publish metrics on relevant Back Office costs as set out in the Government Benchmarking guidelines, for example,	
a. Finance costs as percentage of total cost of OFT.	Annually
b. Cost of Finance per head (FTE).	Annually
c. HR costs as percentage of total cost of OFT.	Annually
d. Cost of Human Resources per head (FTE).	Annually
e. Ratio of Human Resources employees to total employees.	Annually
f. Accommodation cost per FTE.	Annually
g. Accommodation cost per m ² .	Annually
h. Average space utilisation expressed as the average m ² per FTE.	Annually
i. Information Technology costs as percentage of total cost of OFT.	Annually
j. Cost of procurement as percentage of total cost of OFT.	Annually
k. Cost of procurement as percentage of total procured spend.	Annually
3. We will publish monthly Board reports on income and expenditure.	Monthly
4. We will disclose a monthly list of all expenditure over £25,000.	Monthly
5. We will publish the average cost of a Merger Review.	Annually
6. We will publish the average cost of a Market Study.	Annually
7. We will publish the average cost of a Competition Investigation.	Annually
8. We will show the cost of consultancy as percentage of total cost of OFT.	Annually

D) Transparency: impacts (indicators)

The Office of Fair Trading will adopt the following impact indicators.

Impact indicator	How often will it be published?
1.Estimation of direct savings to consumers from the Office of Fair Trading’s activities (Positive Impact report) and associated benefit to cost ratio (e.g. 5:1 ratio).	Annually
2.At least one independently-audited in-depth ex post evaluation of an intervention.	Annually
3.Provide customer service key performance indicators for: Consumer Credit Licensing, Consumer Direct, Mergers and Anti-Money Laundering supervision.	Quarterly
4.Provide statistics and information on the Office of Fair Trading’s enforcement and non-enforcement activities, including results on appeal.	Annually
5.Participate in international comparison assessments (for example, the Global Competition Review or others).	Annually
6.Publish statistics of direct settlement, third party interventions and Undertakings in Lieu.	Annually