



COMPETITION COMMISSION

**Corporate Plan**  
2010/11

## Section 1: Introduction

- 1.1 The purpose of this corporate plan is to outline the work that the Competition Commission (CC) plans to take forward in 2010/11 and the specific challenges it will face in delivering this programme of work.
- 1.2 The CC, alongside the rest of the public sector, faces a year of continuing economic difficulties, limited public resources and a changing political, technological and social environment.
- 1.3 The Government has put in place a number of initiatives as part of its service transformation programme to improve efficiency and effectiveness by making services leaner, more customer focused and more accountable. The CC is working hard to deliver against this challenging agenda whilst also delivering significant financial savings.
- 1.4 The UK economy also provides a challenging environment in which to operate, as well as impacting on the specific work referred to the CC.
- 1.5 The forthcoming election may also lead to changes in the competition and regulatory regime as a whole, which in turn may result in changes to the role and the work of the CC.
- 1.6 During these changing times the CC will continue to deliver high-quality outcomes within the context of a leaner and more cost-efficient service, and to ensure that it is flexible enough to meet the challenges to come in future years.

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## Section 2: An overview of the CC

### Background and context of the CC's work

- 2.1 The CC was set up in order to support strategic aims now embodied in the current Public Service Agreement and Departmental Strategic Objectives of the Department for Business, Innovation and Skills (BIS)<sup>1</sup> and other interested departments including HM Treasury.
- 2.2 The CC is an independent non-departmental public body which, together with the Office of Fair Trading (OFT) and the sector regulators, and in conjunction with the Competition Appeal Tribunal (CAT), operates the UK's competition regime. Its main aim is to carry out in-depth inquiries into mergers, markets and aspects of the regulation of the major regulated industries (including utilities, postal services, railways, airports, air traffic control and financial services).
- 2.3 The work of the CC contributes to the delivery of free and fair markets and aims to facilitate competition for the benefit of businesses and consumers. In turn, this should improve the conditions for business to succeed within the UK, and lead to an increase in the productivity of the UK economy.
- 2.4 The Government has set itself a number of key targets that are relevant to the UK's competition regime. These targets are in the form of Public Service Agreement targets (PSAs), Departmental Strategic Objectives (DSOs) or corporate plan targets and are detailed below.

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<sup>1</sup>BIS is the CC's sponsor department, although HM Treasury also has an interest in the CC's work.

Department	Source	Target
BIS	DSO3	Deliver free and fair markets, with greater competition.
	DSO4	Ensure that government departments and agencies deliver better regulation.
	PSA 3.2	International comparisons of the UK competition regime with world's best.
		Ensure the reliable supply and efficient use of clean, safe and competitively-priced energy.
	PSA 4.1	Administrative burdens reduction across ten government departments, consisting of a 25 per cent reduction for the majority of departments by 2010. Includes BIS target to deliver 25 per cent reduction in measured administrative burdens.
	PSA 4.3	Flow of regulation: total benefit/cost ratio of regulation coming forward over time.
	Corporate plan	Improve the competitiveness of key identified sectors supported by strong, up-to-date evidence base, and delivery of relevant strategies including low carbon business opportunities.
HM Treasury	DSO	Ensure high and sustainable levels of economic growth, well-being and prosperity for all.

**2.5 The CC's main powers and duties stem from section 45 and Schedule 7 of the Competition Act 1998, as amended by the Enterprise Act 2002 (EA), and Parts 3 and 4 of the EA. It also has powers and duties under several other pieces of legislation as listed below.**

Competition Act 1980	Enterprise Act 2002
Airports Act 1986	Enterprise Act 2002 (Protection of Legitimate Interests) Order 2003
Gas Act 1986	Communications Act 2003
Electricity Act 1989	Energy Act 2004
Water Industry Act 1991	Water Services etc (Scotland) Act 2005 (Consequential Provisions and Modifications) Order 2005
Electricity (Northern Ireland) Order 1992	Electricity and Gas Appeals (Designation and Exclusion) Order 2005
Railways Act 1993	The Water and Sewerage Services (Northern Ireland) Order 2006
Airports (Northern Ireland) Order 1994	Legal Services Act 2007
Gas (Northern Ireland) Order 1996	
Competition Act 1998	
Postal Services Act 2000	
Transport Act 2000	
Financial Services and Markets Act 2000	

2.6 The CC carries out its statutory duties independently, impartially and fairly. It also:

- observes the highest standards of propriety, involving impartiality, integrity and objectivity in relation to the use of public funds;
- maximizes value for money through ensuring that services are delivered in the most economical, efficient and effective way, within available resources;
- is accountable to Parliament, users of its services, individual citizens and its staff for its activities, its use of public funds and the extent to which key performance targets and objectives have been met; and
- complies with government policies on openness and responsiveness.

### The work and role of the CC

2.7 All of the CC's inquiries are undertaken following a reference made by another authority, most often the OFT (which refers mergers and markets), or one of the sector regulators (which can refer markets within their sectoral jurisdictions or make regulatory references in relation to price controls and other licence modifications) or as a result of an appeal from a decision of one of the sector regulators. Further information about each of these areas of work is given below.

### Mergers

2.8 Under the EA, the OFT can review mergers to establish whether there is a realistic prospect that they will lead to a substantial lessening of competition (SLC). In such cases, the OFT must refer the merger to the CC for in-depth investigation unless certain exceptions apply, for example, it obtains undertakings from the merging parties to address its concerns, or the merger meets the *de minimis* criteria.

2.9 In order to qualify for investigation by the OFT a merger must meet all three of the following criteria:

1. *two or more enterprises must cease to be distinct;*
2. *the merger must not have taken place already, or must have taken place not more than four months ago; and*
3. *either of the following must be true:*
  - the business being taken over has a turnover in the UK of at least £70 million; or
  - the combined businesses supply (or acquire) at least 25 per cent of a particular product or service in the UK (or in a substantial part of the UK), and the merger results in an increase in the share of supply or consumption.

Because of these last two tests, many acquisitions of smaller businesses do not qualify for investigation.

- 2.10 In exceptional cases where public interest issues are raised, the Secretary of State may also refer mergers to the CC.
- 2.11 The CC is usually required to decide whether a merger results, or is likely to result, in a substantial lessening of competition (in exceptional cases, where the Secretary of State intervenes, it may also have to consider specified public interest considerations).
- 2.12 Where an inquiry is referred to the CC for in-depth investigation, the CC has wide-ranging powers to remedy any competition concerns, including preventing a merger from going ahead. It can also require a company to sell off part of its business or take other steps to improve competition.

### *Market investigations and regulatory references*

- 2.13 The EA enables the OFT (and the sectoral regulators) to investigate markets that are uncompetitive and, if they are concerned that there may be competition problems, to refer those markets to the CC for thorough investigation.
- 2.14 In market investigations the CC has to decide whether any feature or combination of features in a market prevents, restricts or distorts competition, thus constituting an adverse effect on competition (AEC). If the CC concludes that this is the case, then it must seek to remedy the problems that it identifies. The CC has extensive powers to address competition concerns in a market.
- 2.15 The CC's role in regulatory references is dictated by the relevant sector-specific legislation. Companies regulated under the gas, electricity, water and sewerage, postal services or railways legislation or providing air traffic services generally have a formal instrument (a licence) setting out the terms of their operation. If a regulated company does not agree to a modification of its licence proposed by the regulator, the regulator must refer the question to the CC. The CC will consider whether any matter referred to in the reference may be expected to operate against the public interest and, if so, whether this could be remedied by modifications to the licence. Some regulatory regimes also provide for a right of appeal to the CC against price controls applied to the company.
- 2.16 The CC also has two roles under the Financial Services and Markets Act 2000 (FSMA). The first concerns the rules, guidance and statements of principle made or given by the Financial Services Authority (FSA) and the second relates to the regulatory provisions and practices of recognized

investment exchanges and recognized clearing houses.<sup>2</sup> The CC has a similar role under the Legal Services Act 2007 in relation to the regulatory arrangements that govern the provision of legal services, where it reports to the Lord Chancellor.

### *Code modifications and Communications Act appeals*

- 2.17 The CC has an appeal function following decisions by the Gas and Electricity Markets Authority to modify certain energy codes under the Energy Act 2004 and in relation to price control decisions by Ofcom, following a reference by the CAT under the Communications Act 2003.

### *Value of the competition regime*

- 2.18 Competition is one of the key drivers of productivity. The competition regime, by promoting effective competition, delivers direct benefits to consumers and the economy as a whole by reducing inefficiencies and driving improvements in innovation and productivity. Some of these benefits, for example those flowing from innovation, are difficult to attribute to individual actions taken by an authority. However, the CC aims to quantify, where possible, the benefits flowing from its work. The CC and OFT have calculated<sup>3</sup> an aggregate consumer benefit of £295 million for 2008/09 for the market investigation regime and £313 million for mergers in the same period (these figures include the work done by both the OFT and the CC). In making this estimate of consumer detriment, the CC recognizes that its approach is partial in scope and subject to considerable uncertainties in its application. At present a methodology for estimating the benefits in connection with its regulatory work has not been developed, but this will be considered during 2010/11 as part of the review and development of quantification techniques.

## *The CC's finances and budgets for 2009/10*

### *Background*

- 2.19 The CC's Chief Executive is also the CC's Accounting Officer and is personally responsible for safeguarding the public funds for which he has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the CC.
- 2.20 The CC has been allocated a budget of £18.450 million, from BIS, for the financial year 2010/11. This represents a 10 per cent reduction against

<sup>2</sup>The OFT is responsible for keeping these matters under review and reporting on whether one or more rules, regulatory provisions or practices may have a significantly adverse effect on competition. Any report made by the OFT must be sent to the CC. The CC must investigate the subject matter and if it concludes that there is an AEC, it must also state whether it considers that the effect is justified and if not, state what action HM Treasury ought to direct the FSA to take. HM Treasury will then consider whether to direct to the FSA to take action.

<sup>3</sup>For more details see [www.competition-commission.org.uk/our\\_role/analysis/quantification\\_of\\_cc\\_actions%20.pdf](http://www.competition-commission.org.uk/our_role/analysis/quantification_of_cc_actions%20.pdf).

the CC's budget of £20.5 million in 2009/10. The CC also has around £500,000 of capital funding available for 2010/11. BIS agreed last year that the costs of any appeal cases will be dealt with on a contingency basis, outside the CC's normal budget.

- 2.21 The CC has undertaken a significant amount of work in 2009/10 to ensure that it can achieve the required 10 per cent saving whilst still delivering its core inquiry work to an excellent standard. Overall this has led to a reduction in staff numbers, improvements in inquiry and back office working practices and reductions in core areas of expenditure.
- 2.22 A cost saving programme of this size carries a number of inherent risks, and all staff will need to work more flexibly, both within restructured corporate services teams, and within smaller and leaner inquiry teams. The CC believes that it has built in sufficient headroom to enable it to cope if parts of the plan do not deliver. Ultimately, however, if its workload increases more than anticipated and/or the planned savings do not deliver sufficient funds, it will need to ask BIS for additional funding.
- 2.23 The CC is also committed to achieving savings through more efficient working practices where it can identify such gains and is working closely with BIS, HM Treasury and the OFT to see if further savings can be identified.
- 2.24 For example, the CC shares its corporate services with other public bodies, currently providing a range of services including IT, facilities, finance, catering, and library and publishing services. The CC also rents out surplus accommodation to a number of organizations. The CC's shared services and rental arrangements currently bring in an income of some £3.2 million a year.

### Budget for 2010/11

- 2.25 Of the CC's total £18.450 million budget, £10.3 million will be allocated to functions directly related to the CC's core work (carrying out investigations, remedies and appeals); £3.55 million will be allocated to other supporting work streams, including corporate service functions such as learning and development, recruitment and IT services; and the remainder of the budget will cover the CC's office accommodation costs.
- 2.26 The CC's Head of Finance will monitor the CC's spending against this budget and report both internally and to BIS on a regular basis. All budget holders and Inquiry Directors (IDs) will be given the necessary support, by the Head of Finance, to manage their budgets effectively and ensure that the CC is on target to meet the budget, as well as to seek further savings, particularly through more efficient working practices, wherever possible.

## Section 3: The current operating environment

### Overview of the economic and financial environment

- 3.1 Economic recovery has now spread to most OECD economies. However, it appears that growth is likely to fluctuate around a modest underlying rate in these economies, whereas growth in the major non-OECD economies is likely to follow a more robust trend. Growth in the OECD area will be held back as households, financial institutions, industrial companies and, in due course, governments seek to repair their balance sheets.<sup>4</sup> Modest growth will imply that unemployment is likely to increase further in the coming year and low levels of inflation will be subject to continuing downward pressure. Within this environment, interest rates are likely to remain at low historical levels although some minor upward adjustment is possible.
- 3.2 The UK economy is shadowing this international pattern. It is emerging slowly from a recession in which output has fallen by about 6 per cent over six quarters with growth estimated to be 0.3 per cent in the fourth quarter of 2009. For 2010 the consensus of forecasts anticipates that growth in GDP will be around 1.4 per cent<sup>5</sup> for the year, although the strength of recovery remains highly uncertain.
- 3.3 It is likely to take a significant period for banks operating in the UK to repair their balance sheets. The impact of this protracted adjustment on capital and current spending will depend on the extent to which households and businesses can access alternative sources of finance. The continuing scarcity of credit is likely to continue to have a chilling effect on merger activity in general. However, within this overall position, adverse economic conditions may result in a high proportion of traditional consolidating mergers whereas private equity inspired transactions may be largely absent.

### The challenges facing the public sector and the CC

- 3.4 2010/11 is set to be a challenging year for the whole of the public sector with all public expenditure expected to be under very tight control.
- 3.5 BIS, the Cabinet Office and HM Treasury are leading on a number of reform agendas including the Operational Efficiency Programme (OEP), Smarter Government and Service Transformation. All the programmes

<sup>4</sup>See OECD economic outlook No 86.

<sup>5</sup>HM Treasury—*Forecast for the UK economy: a comparison of independent forecasts*, February 2010.

focus upon the efficiency and effectiveness of public service delivery. A summary of each of them is given below:

**OEP**—This was launched by the Chief Secretary to the Treasury on 3 July 2008 and aims to deliver £35 billion in savings. The programme focuses on the delivery of back office services and effective asset management and identified a number of key themes:

- consistent, comparable data is needed to allow organizations to know whether the services they deliver provide value for money;
- incentives and sanctions to create the right conditions to deliver efficient and high-quality public services;
- the right structures (eg shared service centres and professional buying organizations) and tools (such as software) to help organizations and their staff achieve the savings; and
- organizations should have the flexibility to decide on the most appropriate methods of delivering savings, suited to their circumstances.

**Smarter Government**—Focuses on delivering a smarter, more efficient Government. It sets out the Government's plans for saving in excess of £12 billion a year. Its proposals include:

- streamlining the Senior Civil Service;
- merging or abolishing a number of arm's-length bodies;
- integrating back office functions and selling off government assets;
- reviewing anti-fraud work across Government;
- reducing red tape on frontline services and improving flexibility; and
- giving people guarantees over the standard of core public services and encouraging greater personal responsibility.

**Service Transformation**—Focuses on how services are delivered to the citizen and business. It aims to:

- group services around life or business events (eg business insolvency);
- engage citizens and business in the design of the services they receive;
- make better use of the information held by Government, eg improving businesslink.gov and directgov; and
- improve the use of e-government, call centres and face-to-face contact.

3.6 The CC is actively contributing to the Government's change agenda with work underway to deliver savings in a number of areas including a further

streamlining of processes for handling merger inquiries, working with the OFT to improve the effectiveness of the markets regime, and seeking further improvements in the efficiency of back office services.

- 3.7 The CC has also developed a Service Transformation Plan detailing its contribution to the Government change agenda, a summary of which will be published shortly.
- 3.8 Alongside this work the Government continues to seek improved accountability and transparency within the public sector and to ensure that data, including personal data, is protected and secure. The Government has recently issued a revised Security Policy Framework and additional guidance on the completion of the Statement of Internal Control, and the public sector will use International Financial Reporting Standards (IFRS) to produce annual accounts for 2009/10.
- 3.9 The CC has been working to ensure that it is compliant with government requirements and continues to improve its accountability and transparency and to protect the assets that it is responsible for (whilst remaining fully independent of Government in relation to the decisions taken on competition matters in its inquiries).
- 3.10 Details of how the CC plans to take this work forward in 2010/11 are contained in Sections 4 and 6 of the corporate plan.

### Risks and uncertainties

- 3.11 The CC has a risk management process in place for the identification and consideration of risks and a strategy for handling the mitigation of these risks.
- 3.12 Risk management is devolved to individual work areas, with strategic risks being discussed by Council.
- 3.13 The CC's key strategic risks for 2010/11 are set out below:
- The CC makes decisions based on poor assessments or analysis, with the consequence that decisions are wrong and/or successfully challenged.
  - The CC is not able to manage resources to match reference and non-inquiry workload with the result that either there are insufficient resources to deal with the caseload or insufficient demand for staff resources.
  - The CC's processes are not perceived to be effective or run efficiently with the result that the CC is regarded as slow and expensive.
  - The CC's reputation is damaged by public scandal, a breach of security, litigation or an inappropriate disclosure of information.

- Legislative changes, a lack of stakeholder support or engagement or other changes reduce the relevance of the CC so that it no longer receives enough referrals or the right type of referrals and faces further budget cuts.
- The CC is affected by force majeure or major operational problems so that it cannot fulfil its statutory functions.

3.14 In order to minimize risks associated with business continuity, data handling and information security, the Audit Committee and the Security Working Group regularly review and discuss whether suitable mitigation has been put in place.

## Section 4: The CC's delivery plan: improving and developing its work

### The CC's aim

#### *To be one of the world's best competition authorities*

- 4.1 The CC aims to be one of the world's best competition authorities based on the quality of its analysis and the effectiveness of its remedies, and it seeks to make a strong contribution to the development of competition policy, both in the UK and internationally. It also aims to ensure that in the current economically turbulent times, markets continue to work effectively and that the CC's work places no undue burden to business or consumers.

### The CC's objectives

- 4.2 The CC's objectives and supporting Key Performance Indicators (KPIs) are related to the CC's core work of carrying out inquiries and to the five work streams which support the delivery and development of the core inquiry work.
- 4.3 The CC's core work of ensuring healthy competition between companies in the UK via the investigation of mergers, markets and the regulatory sectors for the benefit of companies, customers and the economy is undertaken by inquiry groups who are supported by the CC's staff. Section 5 of the corporate plan provides a more detailed overview of how the CC carries out its inquiry work.
- 4.4 The delivery of the core work by inquiry groups is supported and developed by the work of the CC's work streams. The work streams have a key role in ensuring that appropriate guidance, policies, procedures and processes are in place to support the inquiry groups in their decision making and ensuring that the CC is effectively managed. Work conducted by the work streams includes: writing and reviewing guidance, policies and procedures, promoting effective peer review, risk management and the provision of effective back office services.
- 4.5 The work streams for 2010/11 are:
- Work stream 1: focuses on making the CC's investigations more efficient and effective.
  - Work stream 2: focuses on making the right decisions.
  - Work stream 3: focuses on taking the right remedial action.

- Work stream 4: focuses on making effective contributions to the development of competition policy and practice in the UK, the EU and internationally.
- Work stream 5: focuses on providing efficient and effective corporate services support.

Details of each work stream are in Section 6 of the corporate plan.

4.6 Detailed below are the five key objectives and supporting KPIs that the CC is seeking to deliver in 2010/11 through inquiry groups and the work streams. An asterisk indicates that the achievement of a KPI will be the responsibility of individual inquiry groups with support from the relevant work streams. Where there is no asterisk work is being undertaken primarily by the supporting work streams.

**Objective 1** – Delivering free and fair markets and facilitating sustainable economic growth by making the right decisions in market investigations, merger inquiries and regulatory appeals, and by implementing effective and proportionate remedies.

KPI	Lead work stream
The CC correctly identifies mergers giving rise to an SLC, and features giving rise to an AEC in market investigations, and makes the right decision in regulatory inquiries.	2*
Merger and market inquiries result in effective remedies where appropriate.	3*
Inquiry groups devote an appropriate length of time to the assessment of harm to competition and to ensuring that remedies are effective and proportionate.	1*
Effective procedures are in place for quality assurance of analysis on inquiries.	1
The CC has up-to-date substantive guidelines and practice notes that help inquiry groups make the right decision. During the year the CC will: <ul style="list-style-type: none"> <li>• publish revised merger guidelines;</li> <li>• begin consultation on revisions to market investigation guidelines.</li> </ul>	2
The CC has up-to-date substantive guidelines and practice notes that help inquiry groups take effective and proportionate remedial action. The planned revisions to the market investigation guidelines will include expanded comments on assessing whether remedies will be effective and proportionate. During the year, the remedies toolkit will be updated to reflect learnings from major inquiries and appeal cases.	3

**Objective 2**—Contributing to better regulation within the UK by conducting inquiries in a manner which is fair and transparent and which minimizes the burden of the regime on those businesses affected by it, by using analytical approaches that are robust and have proportionate information requirements.

KPI	Lead work stream
Complete a standard market investigation in 18 months.	1*
Inquiries are conducted in a way that is fair and not overly burdensome.	1*
The CC has up-to-date procedural guidelines and practice notes that help inquiry groups achieve an appropriate balance of fairness, cost, and burden. During the year the CC will publish revised and expanded guidance to groups on transparency and disclosure.	1

**Objective 3**—Building the capability of the CC to deliver in the future by:

- developing the CC's staff and their skills;
- ensuring that the CC remains at the cutting edge of data analysis techniques and case law and continues to learn lessons from other competition jurisdictions and its own review processes; and
- ensuring that appropriate infrastructure and resources are available.

KPI	Lead work stream
<b><i>Developing the CC's staff and their skills</i></b>	
Each employee receives an average of four (all staff)/six (managers) days' training and development activity per year.	5
All new users should receive appropriate IT, security and data handling training within one week of joining.	5
The CC carries out a survey of staff satisfaction levels at least biennially, publishes the results and develops an action plan which is monitored by Staff Council and the senior management team (SMT).	5

**Objective 3—continued**

KPI	Lead work stream
<b><i>Ensuring that the CC remains at the cutting edge of data analysis techniques and case law and continues to learn lessons from other competition jurisdictions and its own review processes</i></b>	
Develop learning notes on completion of all inquiries covering practices and procedures, analysis and remedies as appropriate. Lessons incorporated in guidance and practice notes where appropriate.	1, 2, 3
Conduct ex post evaluations of SLC and AEC findings, and remedies outcomes, on inquiries.	2, 3
CC publishes evaluations of the benefits of its work.	2

KPI	Lead work stream
<b><i>Ensuring that appropriate infrastructure and resources are available</i></b>	
Corporate Services to take forward government cost saving and efficiency measures including the OEP and service transformation plans.	5
Average working days per employee per year lost through sickness absence should be fewer than six.	5
IT should continue to be accredited to ISO 20000 and should also continue to work towards acquiring ISO 9001 and BS25,999.	5
Government Security and Information Assurance recommendations should be implemented within four months of being publicized.	5
The CC ensures a safe and healthy working environment (measured by the number of health and safety reported incidents).	5

**Objective 4**—Delivering value for money for the taxpayer by using cost-effective processes and ensuring that appropriate and proportionate controls are in place to protect public money invested in the CC.

KPI	Lead work stream
Ensure that the Information Systems team provides high-quality, efficient and effective IT services, in line with government security standards.	5
Deliver an efficient service to the organizations that the CC has shared service agreements with.	5
To continue to investigate whether further back office savings can be delivered and to participate in the Government's change programme.	5
The responsibility of budget holders is clearly understood and embedded in their performance appraisals.	5

**Objective 5**—Building the profile of competition policy by contributing to public debates about the importance of competition policy, carrying out research to support the CC's work and playing an active role in the development of UK, EU and international competition policy.

KPI	Lead work stream
The CC has an effective and agreed communications strategy including a structured programme of engagement with CC stakeholders.	4
Improve the CC website and ensure that it is fully compliant with Cabinet Office and Chief Information Officer guidance and best practice.	5
Attendance at key competition events and high-quality contributions to papers and presentations where the CC has relevant expertise. Successful hosting of events at the CC to share best practice with overseas competition authorities.	4
Development of the CC's overseas links: cost-effective visits programme for senior staff and effective hosting of visits from overseas authorities. Effective contribution to overseas requests for information.	4
Keep those in senior positions and, where appropriate, other CC staff fully informed of and involved in policy matters.	4

## Section 5: The CC's core work and planning assumptions for 2010/11

### Managing core work

- 5.1 The CC's members (including the Chairman and, at present, four Deputy Chairmen) are appointed by the Secretary of State for Business, Innovation and Skills for fixed terms. A group of members, appointed by the Chairman, is responsible for an individual inquiry. The members are supported by administrative and professional staff with a range of expertise including economists, lawyers, accountants and business advisers. Each of the professional teams in the CC is led by a Head of Profession.
- 5.2 The Senior Inquiry Director and the individual IDs ensure that inquiry teams are appropriately staffed and have the right processes and procedures in place to carry out inquiries efficiently and effectively. Progress on inquiries is monitored on a regular basis. Peer reviews conducted by staff, the Chairman and, where appropriate, external experts, help to ensure robust and consistent decision-making across inquiries, and are normally carried out ahead of publication of provisional findings and final reports. There is a formal process of evaluation at the end of each inquiry.
- 5.3 In order to ensure that it can resource inquiries appropriately the CC has made assumptions about likely workload in 2010/11. These assumptions have been based on experience over the past few years as well as knowledge of specific references. These have been used to estimate the likely time and resources required to undertake the assumed workload, again based on past experience, and taking into account recent work to streamline and speed up inquiry processes.
- 5.4 The CC has assumed the following average workload at any point during 2010/11:
  - 3 merger references;
  - 1.5 market investigations;
  - 2.5 regulatory inquiries;
  - 2 appeals; and
  - 1.5 remittals.
- 5.5 The individual units of workload represent very different pieces of work, with, for example, the resources required for a market investigation being significantly greater than for a merger reference. Cases also vary considerably in their complexity. Due to the unpredictable referral of new

inquiries, it is unlikely that this will represent precisely the work that is, in practice, referred, but represents the CC's best estimate on which to base resource planning.

- 5.6 If the CC were to have substantial additional inquiries referred which have not been taken into account in the above estimate, it would need to go back to BIS to request additional funding. If, for example, it had to deal with an additional market investigation and there were on average two more live merger cases at any time, this would require some £1 million of additional staff and consultancy resource.
- 5.7 In terms of budget allocation, on the basis of the workload assumptions above, of the £10.3 million total budget for front line costs of core work in 2010/11, the CC would expect to allocate roughly £3 million for merger inquiries, £2.5 million for market investigations, £2.4 million for remedies implementation (on merger inquiries and market investigations), and £2.4 million for other inquiry work, ie regulatory inquiries, energy code modification appeals, reviews of undertakings and appeals to decisions.

### Merger inquiries, market investigations and regulatory inquiries

- 5.8 As a 'phase two' competition authority, the CC must investigate and report on references from a 'phase one' authority (primarily the OFT but also, in some cases, the sectoral regulators or Government). The CC cannot control the volume or type of work it receives. However, references (to final report) are carried out within strict statutory deadlines. This lack of control over the CC's input and relatively limited ability to flex timescales presents particular challenges.
- 5.9 The CC is focusing on ensuring that it delivers inquiries as efficiently and effectively as possible whilst ensuring that the quality of its analysis and decisions on the competition issues and on remedies is maintained and, where necessary, developed. This is particularly important in view of the current pressures on funding. To that end the CC has, as discussed in last year's corporate plan, piloted improved ways of working on several recent merger inquiries. This has included improved handover of information from the OFT; focusing information gathering and the analytical framework upon possible theories of harm; and making the best use of resources, with members focused on giving strategic direction and taking key decisions whilst well-integrated staff teams undertake the inquiry process on a day-to-day basis. The improved ways of working also seek to reinforce the effectiveness of delivery including ensuring that the CC publishes provisional findings by week 14–16 of an inquiry; develops a clear view of possible remedies at a relatively early stage; and drafts clear and well-reasoned reports. The CC intends to build on these improvements in the merger inquiries which it conducts

during 2010/11 and look for further ways to improve efficiency and effectiveness, while continuing to operate with the appropriate degree of transparency and delivering robust decisions.

- 5.10 There has also been significant work with the OFT during the past year to improve the operation of the market investigation regime. Many of the improvements that have been implemented on merger inquiries will read across to the market regime. The CC announced last April that it would aim to complete standard market investigations within 18 months, and to take less time on smaller market investigations. It will have the opportunity to pilot new working methods on the bus market investigation which was received in January 2010 (the CC's first new market investigation since March 2007).
- 5.11 Where the CC reaches an adverse finding in a merger inquiry or market investigation it is required to decide on remedies to address the competition issues it has identified. Historically, the CC has required remedies in almost half of merger cases and virtually all market investigations. Future consideration of remedies will benefit from lessons learned from the recent CAT judgments on groceries, payment protection insurance (PPI) and BAA airports. In particular this will lead the CC to focus at an earlier stage on the nature and extent of possible detriments and the form and benefits of possible remedies. It will also lead to providing greater clarity in setting out the reasoning supporting the CC's remedies decisions and in the analysis of relevant costs and benefits.
- 5.12 Consideration of feasible remedies starts when possible competition issues are identified and then enters a focused phase of consultation after publication of provisional findings. After publication of the final report, the CC is responsible for implementing the remedies through an order or undertakings. There is no statutory time frame for this implementation phase and timing can vary substantially depending on the complexity and scope of the remedy and number of parties involved. Where remedies involve divestiture, as is the case in over 80 per cent of mergers requiring remedies, the CC also supervises the sale process to ensure that an appropriate divestiture is made to a suitable purchaser.
- 5.13 The CC may also be required to review existing undertakings or orders for possible variation or cancellation where the OFT has identified a significant change in circumstances. This may involve a major project, such as the recent review of the Carlton/Granada (ITV) undertakings, or be confined to revisions of a relatively limited nature.
- 5.14 Having had relatively little regulatory work in recent years, the CC expects that a greater proportion of its workload in 2010/11 will be regulatory in nature. The CC is already doing significant work in the telecoms field with three appeals, and has started work on one appeal against Ofwat's latest price determination. The CC has recently set up the Finance and Regulatory Group which will help to focus and develop the CC's

expert regulatory capabilities and advise inquiry groups as necessary on regulatory issues including cost of capital (see paragraph 6.17).

- 5.15 In view of the various factors outlined above, the CC's expected overall workload is subject to considerable uncertainty. In general, the CC seeks to ensure that it has sufficient staff in place to deliver the expected workload, since it is often more expensive and less effective to use temporary staff. However, there is also a need to ensure sufficient flexibility in the deployment of resources to adjust to changes in workload. To this end, the CC makes use of secondments to and from the OFT and other bodies to help manage the inevitable peaks and troughs in workload. This also has the benefit of allowing staff to build a wider set of skills and expertise and improve mutual understanding.

### Appeals

- 5.16 The CC's decisions on inquiries are subject to judicial review either by the CAT (in the case of decisions on merger and market investigations) or by the High Court (in the case of most decisions on regulatory inquiries). There has been a significant increase in the last few years in the number of appeals brought against the CC's decisions. There is currently one case pending before the CAT and a further active case in which the CC is appealing the CAT's judgment to the Court of Appeal. For workload purposes, it has been assumed that there will be two further appeals in the course of the year. In general the risk of legal challenge at various stages in inquiries appears to have increased significantly in the last year.
- 5.17 In the course of 2009/10 the CAT decided two important cases affecting the CC:
- A challenge brought by Barclays Bank plc against the market investigation report on PPI: the CAT upheld the CC's AEC finding but quashed part of the decision on remedies (relating to the imposition of a point-of-sale prohibition) because the report did not show that the CC had taken account of the loss of convenience which might flow from such a prohibition in assessing proportionality. The CAT found that this constituted a failure to take account of a relevant consideration. The case was remitted to the CC for reconsideration of relevant aspects of the remedy decision.
  - A challenge brought by BAA against the airports market investigation report: the CAT found in favour of BAA on the ground of apparent bias although it dismissed a substantive challenge to the proportionality of the CC's remedies decision. The CAT has made an order quashing part of the report and remitting the relevant issues to the CC for reconsideration by a fresh inquiry group. This remittal is currently on hold whilst the CC appeals the CAT's decision.
- 5.18 The CAT also considered three cases relating to merger inquiries: it made a preliminary ruling in a case relating to disclosure of confidential

information about the nature of decisions which could be challenged and refused interim relief in relation to a possible challenge to a divestiture decision. A further challenge led to the agreed quashing of a merger clearance decision and remittal for reconsideration of issues raised in the application.

- 5.19 The CC has considered very carefully the CAT's judgments in all these cases and has instituted reviews of relevant aspects of its procedures and analysis. The recommendations and response from the Remedies Review were published in February and key recommendations are already being put into practice on the bus market investigation. The results of the Conflicts Review will be published before the summer and the recommendations implemented following Council approval. The CC expects to publish revised guidance on disclosure of information which will reflect recent CAT statements on relevant principles.
- 5.20 In January the Court of Appeal ruled on appeals brought by British Sky Broadcasting Group plc (Sky), the CC, the Secretary of State and Virgin Media Inc against the CAT's judgment of October 2008 relating to the CC's report on the acquisition by Sky of a minority stake in ITV. The Court of Appeal dismissed Sky's appeal on competition points, upholding the CC's decision that there was a merger situation which might be expected to give rise to an SLC. It allowed the appeals from Sky, the CC and the Secretary of State on the interpretation of the media plurality test, finding that the CC had applied a correct approach in its report.

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## Section 6: Developing the CC's core work

- 6.1 This section of the corporate plan details the work that the CC will progress during 2010/11 and beyond to improve the efficiency of the CC's operation. Each area of work is led and overseen by at least one member of the SMT and their work is overseen by at least one of the CC's committees. Their work is aimed at enabling the CC to deliver its core objectives and to ensure that the CC is fit for purpose and able to meet the challenges ahead.

### Work stream 1: Make the CC's investigations more efficient and effective and manage inquiries well

Persons responsible: Senior Inquiry Director (Rachel Merelie) and the Chief Legal Adviser (Clare Potter)

Oversight: Practices and Procedures Group

- 6.2 This work stream seeks to ensure that the CC achieves its objectives of delivering value for money by using cost-effective processes and conducting rigorous inquiries in a manner which is fair and transparent and which minimizes the burden on businesses affected by them.
- 6.3 There are five key areas of focus:
- (a) Making the CC's investigations more efficient and effective by:
    - (i) earlier identification of possible theories of harm and greater emphasis on maintaining an evolving view of the theories of harm throughout an inquiry process by testing the theories of harm against the available evidence;
    - (ii) more focused information and data gathering guided by the theories of harm;
    - (iii) greater use of unmediated information; and
    - (iv) more focused use of hearings.
  - (b) Improving the clarity and communication of CC findings, decisions, opinions and precedents. Ensuring that reports are concise, accessible and readable, but that they contain a clear and compelling account of decisions and the reasons for them.
  - (c) Having effective procedures for framing and applying remedies that are focused, appropriate and proportionate (see work stream 3).
  - (d) Making the best use of resources. Increasing the use of more flexible inquiry teams with good team working and clear shared goals. Encouraging more active management of inquiry budgets by IDs,

involving greater engagement with analysis staff over the costs, benefits and risks of proposed work plans throughout the course of an inquiry. Seeking to ensure that members are focused on giving strategic direction and taking key decisions, with well-integrated inquiry teams undertaking the inquiry process on a day-to-day basis.

(e) Sharing best practice internally to develop systems and a culture that encourage a process of continuous improvement.

6.4 During 2009/10, specifically in relation to market investigations the CC has looked at:

- making CC investigations shorter, lower cost and more flexible;
- improving the use of resources across the regime as a whole; and
- improving communication and coordination between the CC and the OFT.

In particular, the CC has looked at ways to ensure that investigations are focused on key issues, make full use of information collected at the OFT stage and are completed more quickly and with the minimum burden on parties. Timetables for completion of investigations in substantially shorter periods have been established (12 months or less for a targeted investigation (small number of parties and issues); 18 months as a target for completion of more complex investigations). The CC will pilot its proposed procedural changes on the bus market investigation referred to us in January 2010.

6.5 In order to ensure that these objectives are achieved consistently the CC needs to:

- ensure that best practice is reflected in procedural rules and guidance for members, staff and parties to investigations; and
- review periodically its procedures and the documentation which records them.

6.6 In seeking to make improvements the CC must retain its distinctive strengths of thoroughness, transparency, independence, and using panels of decision makers who are independent and actively involved in the key stages of investigations and who engage directly with the main parties.

6.7 For both merger and market investigations a key challenge for the coming year is to achieve the appropriate level of transparency in the most effective and cost-efficient way. There will be a review of the mechanisms for ensuring that decisions are clear and fully reasoned.

### *Budgets and resources*

6.8 The IDs and the Senior Inquiry Director meet on a monthly basis to share knowledge and best practice on their inquiries. The Senior Team meets

periodically to discuss lessons from completed inquiries. The Practices and Procedures Group meets about four times a year; in addition to the Chairman and Deputy Chairmen, there are three other CC members on the group supported by approximately six members of staff. The group oversees specific work, for example on revision of mergers and markets procedure guidelines and the approach to disclosure. It is anticipated that in the course of the year, on average 20 to 25 days a month of staff time will be devoted to the work stream. This reflects work on procedural guidance for mergers and market investigations and review of guidance.

### *Risks*

- 6.9 The main risk to the achievement of these objectives is that inquiries and litigation, both of which operate to tight and inflexible deadlines, divert resources from reviewing procedures and revising guidance.

### **Work stream 2: Make the right decisions**

Person responsible: Chief Economist (Alison Oldale)

Oversight: the Analysis Group

- 6.10 This work stream seeks to ensure that the CC meets its objectives by ensuring that:
- (a) the analytical frameworks and tools used by the CC in its inquiries are appropriate, leading to the right decision;
  - (b) the CC contributes to better regulation by adopting a coherent and clear analytical approach; and
  - (c) the CC puts in place appropriate resources and builds its capacity to undertake rigorous and robust analysis.
- 6.11 The Chief Economist is responsible for ensuring that the right analysis is undertaken and reports to the Analysis Group and Council on activities aimed at meeting these objectives. These activities include:
- (a) drawing lessons about the right analytical frameworks from ex post evaluation of completed inquiries, from research, and from internal analysis;
  - (b) embodying lessons about the right analytical frameworks in published guidelines and internal guidance to groups; and
  - (c) promoting debate and learning about the right analytical frameworks across the CC.
- 6.12 There are four key areas of focus for improvement over the coming year:
- (a) *Revision of published guidance.* The CC's analysis will be more predictable and consistent when published guidelines reflect its

current best practice. Updated merger guidelines will be published in spring 2010. In addition, the CC has gained a lot of experience of conducting market investigations since the market investigation guidelines were written, the CC will begin revising these guidelines as well to reflect current practice.

- (b) *Improvements to the evaluation programme.* The CC's accountability to stakeholders, and its ability to improve its future performance by learning from the past, rest on having a routine process for assessing the impact of its decisions, publishing the results, and making appropriate adjustments. The CC has an evaluation programme in place, but will review whether improvements are needed to ensure that its programme is world class.
- (c) *Provision of more guidance to inquiry groups on analytical best practice.* The quality and consistency of the CC's analytical approach can be improved by developing guidance to inquiry groups about a wider range of issues.
- (d) *Improved learning about competition analysis across the CC.* Steps will be taken to foster greater debate and learning about competition analysis across the CC, to strengthen the CC's capacity to make the right decisions.

### *Budgets and resources*

- 6.13 It is anticipated that in the course of the year, on average 40 days a month of staff time will be devoted to the work stream. There is also a budget of £50,000 for research.
- The Analysis Group meets around six times a year, and also considers issues between meetings. It is chaired by the CC Chairman; the Deputy Chairmen and the Chief Executive are also members of the group. The group includes three other CC members and up to 12 senior staff of various disciplines. The group focuses the strategic direction for the work that is carried out in this area. Operational responsibility for the Analysis Group lies with the Chief Economist.
  - Staff (particularly economists and lawyers) spend time on commissioning and steering work undertaken by consultants and academic studies and producing and collating evaluations and quantification work for CC inquiries, in addition to the more general role of participating in conferences, and sharing work with colleagues elsewhere in Government and the wider intellectual community.

### *Risks*

- 6.14 The main risk to the achievement of these objectives is that inquiries and litigation, both of which operate to tight and inflexible deadlines, divert

resources from the non-inquiry work needed to ensure that the CC has the capacity to meet its objectives.

### Finance and regulation analysis work

- 6.15 This work, which is part of work stream 2, is particularly concerned with the role of the CC in investigating references relating to issues in regulated industries under the relevant regulatory statutes. It seeks to ensure that the expertise of the CC in economic regulation is appropriately captured and brought to bear on references, and in particular that:
- (a) the CC adopts an appropriate cost of capital and an appropriate approach to financeability in its regulatory references;
  - (b) the analytical frameworks and tools used by the CC support it in reaching the right decision;
  - (c) the CC contributes to better regulation by adopting a coherent and clear analytical approach; and
  - (d) the CC builds its capacity to undertake rigorous and robust analysis.
- 6.16 Lucy Beverley, Deputy Director of Financial Analysis, is responsible for activities aimed at meeting these objectives, reporting to the Finance and Regulation Group (FRG) and Council. The Chief Economist has overall responsibility for ensuring that the right analysis is undertaken, in line with guidance from the FRG where appropriate. The activities to support this work include:
- (a) ensuring that expert advice from the FRG is made available to inquiry groups on issues of cost of capital and financeability in relation to particular references;
  - (b) drawing lessons about the right analytical frameworks to use in regulatory inquiries from ex post evaluation of completed inquiries, from research, and from internal analysis;
  - (c) embodying lessons about the right analytical frameworks in internal guidance to inquiry groups; and
  - (d) promoting debate and learning across the CC.
- 6.17 The FRG is newly formed<sup>6</sup> and will focus, in its first year of operation, on the following areas:
- (a) providing high-quality advice on the cost of capital and financeability to regulatory references; and

.....  
<sup>6</sup>It replaces the Cost of Capital Advisory Panel.

- (b) setting up a programme of research and ex post evaluation to inform development of guidance on the CC's analytical approach to regulatory and strategic financial issues.

### *Budgets and resources*

- 6.18 The FRG generally meets on a bi-monthly basis or as required. The FRG comprises a Chairman and a number of members appointed by the CC Chairman. Members of the FRG are recruited from the CC's membership. Staff with an expertise in regulation assist and advise the FRG and are responsible for reflecting the views of the FRG on cost of capital and financeability in working papers and minutes. The FRG may make use of external advisers. It is envisaged that staff will spend time on commissioning and steering work undertaken by consultants and academics and producing and collating evaluations of CC inquiries.

### *Risks*

- 6.19 The main risk to the achievement of these objectives is that inquiries and litigation, both of which operate to tight and inflexible deadlines, divert resources from the non-inquiry work needed to ensure that the CC has the capacity to meet its objectives.

## **Work stream 3: Take the right remedial action**

Person responsible: Chief Financial & Business Adviser & Head of Remedies (David Roberts)

Oversight: The Remedies Standing Group

- 6.20 The overall aim of this work stream is to develop the CC's remedies approach and procedures in accordance with world class standards and to ensure effective sharing of remedies expertise and learning points with members, staff and other competition authorities.
- 6.21 The CC's Remedies Standing Group (RSG), consisting of the Chairman, Deputy Chairmen, three other CC members and relevant staff in attendance, is responsible for the governance of this work stream. In pursuing the overall aim set out above, the RSG considers issues of policy and procedure, reviews learning points arising from current inquiries and considers findings from remedies research and developments in international practice.
- 6.22 A major focus for the CC in 2010/11 is to develop its approach for remedies on market investigations to take account of experience gained on recently completed inquiries and appeal cases considered at the CAT. This will include implementing recommendations in the report of the Remedies Review Group, notably earlier and more focused consideration of possible remedies, more detailed consideration of the benefits and costs of remedies and greater clarity in expressing remedies decisions.

The CC will also seek to develop the effectiveness of market remedies procedures so that they dovetail efficiently with revised approaches to analysis on market inquiries. These actions will be implemented on a trial basis, where appropriate, in the bus market inquiry.

- 6.23 In 2010/11 the CC will pursue the following activities to develop its remedies approach and procedures and facilitate effective sharing of expertise:
- (a) *Researching effectiveness of remedies.* The CC will continue its programme of reviewing the outcomes of remedies in past cases to establish learning points from these cases and whether remedies performed as intended. In 2010/11 it is intended that the CC will complete the evaluation of remedies from a market investigation (Store Cards) and undertake evaluation of two further merger cases.
  - (b) *Identifying and disseminating relevant learning from current inquiries.* The RSG will continue to review remedies learning points on conclusion of all relevant cases on an ongoing basis. These are then communicated, where necessary in revised current procedures, in the remedies toolkit (see below), members' seminars and, ultimately, amended guidance.
  - (c) *Completing revision of remedies toolkit.* The remedies toolkit is a living document that provides internal guidance on the design and implementation of remedies and supports the CC's externally published guidance. Revision of the toolkit and expansion of its contents to include all aspects of market remedies started in 2009/10 and will be completed by summer 2010. Additions covering market remedies will also provide a basis for external published guidance in this area.
  - (d) *Commencing revision of market investigation guidance.* The CC produced new merger remedies guidance in 2008. Existing guidance on market remedies, however, dates from June 2003. In 2010/11, the CC will start the process of producing new guidance on market investigations including its approach to remedies. The CC will aim to produce a consultation draft of the new guidance on market remedies by March 2011.
  - (e) *To share and discuss CC remedies approach with other competition agencies and relevant stakeholders.* The CC will continue to present its approach on remedies to external audiences including other competition authorities to foster discussion and exchange of ideas on best practice and new developments.

### *Budgets and resources*

- 6.24 The RSG has six scheduled meetings a year. This is supplemented with a number of ad hoc meetings when necessary. The activities listed above

are likely to require the equivalent of 1 to 1.5 full-time equivalent staff in total (about 20–30 days per month) but this requirement is spread among several staff members with particular responsibility for remedies.

### *Risks*

- 6.25 A major risk to these objectives is that a heavy workload on remedies cases, particularly implementation of remedies on market inquiries, or remittal of appeal cases, diverts resources from this work. One effect of this risk would be to delay upgrades to procedures and expertise with resulting adverse effects on future inquiries. It is noteworthy that the peak workload on remedies occurs in the later stages of inquiries prior to and following the publication of the final report. Thus remedies workload may continue at a high level even though a peak in workload on the diagnostic phase of cases has passed.

### **Work stream 4: Make effective contributions to the development of competition policy and practice in the UK, the EU and internationally**

Persons responsible: Director of Policy (Chloe MacEwen) with Head of International (Carole Begent)

Oversight: Council

- 6.26 The CC continues to pursue a structured and strategic approach to communication, and will continue to look for ways in which it can contribute to public debates about the importance of competition policy, communicating its key messages to competition practitioners, the business community and consumers through a variety of methods— including hosting and participating in seminars, roundtables and competition events and engaging with the media on inquiry developments.
- 6.27 The CC works closely with the OFT, the sector regulators, BIS, HM Treasury and other government departments on the development of competition policy and procedure, as well as with lawyers and economists in private practice and academic institutions. Over the year ahead the CC will continue to work closely with BIS, HM Treasury and other regulators to optimize the performance of the competition regime. Internally, the CC will focus on further streamlining processes, so as to make its inquiries more flexible and faster, thus ensuring that processes are as cost effective as possible and reducing burdens on business where appropriate. The CC will also continue to work with the OFT on ideas generation, monitoring and amendment of behavioural remedies; and will strive to improve communication of how the UK competition bodies relate to one another and operate.
- 6.28 In 2010/11 the CC will maintain involvement in and support the international competition community, including the Directorate General

for Competition in the European Commission and other competition authorities, and the international organizations, namely the OECD, the ICN and where appropriate UNCTAD in the development of policy relevant to the CC's role. The CC will also continue to respond to requests for assistance from overseas authorities and to develop strong bilateral links. The CC recognizes the benefits of developing strong international links through these networks and bilateral meetings and of sharing lessons learned and best practice in procedures and analysis with other competition authorities. As a consequence of these contacts, the CC discusses relevant cases with overseas authorities more frequently (so far as constraints on confidential information permit) to improve the quality of its decisions and takes account of developments in analysis and best practice when reviewing its procedures and analysis. This involvement is also used for the development of its staff and members.

### *Budgets and resources*

- 6.29 This work stream is the responsibility of the Director of Policy, working closely with the Head of International who supervises the work described in the paragraph above. The Chairman, four Deputy Chairmen, Chief Executive and other senior staff also contribute in varying degrees to the promotion and communication of the CC's work, and the Communications Group meets once a week to discuss publicity and press reporting relevant to the CC and its work. In undertaking this work stream the Director of Policy is supported by the Press Office. The activities listed above are likely to require the equivalent of 2 to 2.5 full-time equivalent staff in total, but this requirement is spread across several staff members.

### *Risks*

- 6.30 Internal risks to achieving the CC's policy objectives include having a heavy caseload so that professional staff are not able to devote sufficient time to preparing policy documents or attending meetings at the domestic or international level. External risks include UK government departments or overseas competition authorities having insufficient resources to devote to cooperating with the CC.

## **Work stream 5: Provide efficient and effective corporate services support**

Person responsible: Director of Corporate Services (Rebecca Lawrence)

Oversight: Corporate Services Review Group

- 6.31 The aim of work stream 5 is to ensure effective corporate service support to the rest of the organization. Additionally this work stream deals with

corporate governance, business continuity, internal audit functions, risk management, security, data handling and information security. The Director of Corporate Services is the CC's departmental Security Officer and Senior Information Risk Officer.

- 6.32 The Director of Corporate Services manages this work stream and reports to SMT. Additionally, there is accountability to Council and the Audit Committee (in particular on risk management and security) and Remuneration Committee for its delivery.

### *Budgets and resources*

- 6.33 The Corporate Services team consists of approximately 50 staff working in IT (including the Information Services Information Centre and Publishing), Facilities, Security, Finance, Procurement, Human Resources and internal communications (HR), Planning and the Members Support Unit. Corporate services staff account for 20 per cent of the CC's total salary budget. The Corporate Services Management Team meets on a monthly basis to ensure that key objectives are delivered.
- 6.34 The Director of Corporate Services is responsible for a budget of £8.15 million a year.<sup>7</sup> Approximately £1.8 million is spent on staffing and the remaining £6.35 million is spent on running costs including accommodation (£4.6 million) and a range of services including IT remote access, training, scanning, photocopying, publication, catering and transcription services as well as a number of projects. Corporate Services has continued to make savings year on year. In 2009/10, the Corporate Services team restructured to enable it to forecast savings of 17 per cent or £636,794 in 2010/11 compared with the 2009/10 budget. The team will endeavour to deliver further savings in 2010/11. Additionally the Corporate Services team has generated £3.2 million of income through leasing accommodation and the provision of shared services to the CC's tenants and others.
- 6.35 Working to support the CC's delivery of its core objectives during 2010/11 the corporate services team will:
- work towards BS 25,999 and ISO 9001 accreditation for business continuity and management services within the corporate services administrative support team;
  - seek Service First accreditation for the Corporate Services team;
  - refocus the CC's training and development programme;
  - benchmark cost and efficiency data with other parts of central government via the Chartered Institute of Public Finance and Accountancy;

<sup>7</sup>56 per cent of this budget covers the CC's accommodation costs.

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- take forward the CC's Service Transformation Plan;
  - develop the CC's website so that it meets Chief Information Officer and Cabinet Office requirements by statutory deadlines;
  - ensure all appropriate Corporate Services staff hold a relevant professional qualification;
  - seek to share back office services with other organizations as both a provider and a receiver to reduce costs and improve the quality of the service;
  - ensure business resilience plans are effective;
  - work with the rest of the organization to deliver savings wherever possible; and
  - work to enhance current corporate governance, risk management, security, data handling and assurance measures and to implement good practice where appropriate.

### *Risks*

6.36 The main risks facing Corporate Services in 2010/11 are:

- The Corporate Services team is under pressure to deliver further savings whilst maintaining a high-quality support service to the organization. To mitigate this risk the CC will continue to provide shared services to a number of its tenants within the same building as well as looking for additional ways to bring in income and/or reduce costs.
- It may be difficult to implement all the Cabinet Office best practice guidance and take forward its change programme given the reduction in staff numbers. Corporate Services managers will aim to keep progress on implementation on track as far as possible.