

Consumer Focus Board

Paper 7.1

Title: CEO Report (mid-quarter)

Purpose: For information and approval

Date of meeting: July 9th 2009

Responsible officer: Ed Mayo

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Attachments: Annex A: SMT Priorities
Annex B: Consumer Focus Reputation Audit

1 Overview

- 1.1 This is a mid-quarter report, which sets out a snapshot of current work and plans after the first period of the year 2009/10.
- 1.2 With a full Senior Management Team in place, I can report a visible change in the pace and quality of work to develop the key business systems and corporate services required for the organisation.
- 1.3 Consumer Focus has also had an exceptional period of influence and impact, including but not limited to decisions taken around the publication of the Consumer White Paper in early July.
- 1.4 There is a lot more to do in the period up to the end of September 2009 before planned improvements in key corporate services come to fruition. I would stress in this regard that we will need to walk before we run in relation to business systems. This therefore remains, in the first year of life for the new organisation, a period of some risk.
- 1.5 One key to the success of the organisation is the quality of working relationship between the Board and senior staff. I report here on work completed by the Senior Management Team in contact with a working group of the Board to set 'internal' and 'external' priorities for the coming six months, with milestones to assess progress. This is attached as Annex A.
- 1.6 At the Board's request, we have commissioned interviews with a selection of key stakeholders to gauge their views on Consumer Focus. This is attached as Annex B.

Action for the Board

1.7 The Board is asked to:

- 1.7.1 Agree internal and external priorities for July – December 2009 set out in Annex A
- 1.7.2 Agree to receive at its meeting in September 2009 a report on options for the implementation of the Consumer Advocate.
- 1.7.3 Discuss the findings of the Consumer Focus Reputation Audit, attached as Annex B.

2 The key issues

Priorities

2.1 The internal and external priorities are set out in Annex A.

2.2 The Board raised the question at its last meeting about what criteria would apply when selecting external priorities from the Forward Work Programme. The approach that the Senior Management Team has taken has been to identify areas of work where we can achieve tangible impact in the second half of 2009, in at least one of three ways:

- a direct impact on consumers in terms of prices, service etc.;
- an impact on policy or regulation, which should in turn have an impact on consumers;
- and/or an impact on our reputation, where our work is seen as salient and offering value for money, which will have a positive effect on our future ability to create further consumer impact.

2.3 Using different criteria would lead to a different balance of priorities, such as:

- Direct policy impact: social tariffs, green claims, vulnerable disconnections
- Media profile: JobCentre Plus, digital rights
- 'Big issue' salience: Focus on Finance, JobCentre Plus.

Current Performance

2.4 More widely, key areas of current performance that I would like to draw the Board's attention to are:

- Strategic risk
- Action on corporate services since the last Board meeting

- Impact
- Significant activities
- Stakeholder engagement, and
- Significant activities coming up

Strategic Risk

2.5 In line with the paper discussed by the Board at its meeting on May 7 2009, our primary strategic risks relate to:

- 2.5.1 (High) Policy risk, dominated by the implications for our work for consumers of a potential change in government in Westminster. Internally, our policy effectiveness and productivity relies on good staff morale and we know we have work to do here.
- 2.5.2 (High) Finance risk, including indications from our sponsor department BIS that our non-energy and postal funding may be cut by around 10 per cent, the need to attract resources to fulfil ambitions for additional work, such as the Consumer Advocate, and the wider context of likely public expenditure pressures and close media scrutiny of the activities of 'quangoes'.
- 2.5.3 (Low) Geographic risk, as the Audit Committee has termed it, is not high risk at present.
- 2.5.4 (Medium / High) Reputation risk, which includes criticism of our campaigns, any failure on quality in our work or any high visibility failures in our compliance as a statutory body.

Action on corporate services since the last Board meeting

2.6 While we are only part-way through our action plan on IT, we are able to report infrastructure & service improvements. These include action underway to:

- 2.6.1 recruit 2 Senior IT Support Analysts. We have received applications and are currently sifting candidates.
- 2.6.2 implement the internal IT Service Desk system.
- 2.6.3 fill 3 IT Support Analyst roles in London, Cardiff and Glasgow.
- 2.6.4 establish a strategic outsourcing contract to supplement internal roles.
- 2.6.5 transfer IT support from our existing outsourced provider by October 2009.

2.7 On HR, we are maintaining 2 temporary additional posts as a resource and can also report progress on:

- 2.7.1 HR surgeries running regularly at all offices;

- 2.7.2 objective setting run and monitored by the Senior Management Team;
 - 2.7.3 initial meetings with BIS on our pay remit, process and structure agreed around existing and new posts;
 - 2.7.4 the creation of accurate HR database / reconciled with payroll and finance databases;
 - 2.7.5 support to managers for key areas, e.g. probation periods;
 - 2.7.6 performance reviews and objective setting;
 - 2.7.7 HR communications via the intranet and newsletter.
- 2.8 The Board is considering a separate report on our finances for the first two months of 2009/10. In this area, we have also built in, within agreed budgets, temporary additional resources of two posts. Progress on our underlying corporate services work includes:
- 2.8.1 progress on the completion of accounts;
 - 2.8.2 2009 -10 budgets operationalised and delegated;
 - 2.8.3 finance reports issued to budget holders for April & May.
 - 2.8.4 invoice payments within 30 days, which have improved from 64% to 72%.
 - 2.8.5 work to strengthening the National Social Marketing Centre finance & procurement.
 - 2.8.6 an investigation by the Inland Revenue into predecessor expenses has been satisfactorily resolved.
- 2.9 I would like to commend to the Board in particular the quality and rigour of the work carried out by staff and interims for the delivery of a highly technical set of merger accounts.

Impact

- 2.10 The Consumer White Paper, A Better Deal for Consumers, was launched by the Consumer Minister, Kevin Brennan on July 2 2009 at an event hosted by Consumer Focus and includes some significant advances in consumer protection and enforcement.
- 2.11 The Consumer White Paper includes a number of references to Consumer Focus, including the assessment that “in its first year of operation, Consumer Focus has proved to be a vocal and effective champion for the interests of consumers.”
- 2.12 The Board will have noted the proposal for a Consumer Advocate to be based at Consumer Focus. We are seeking a meeting with officials from the Department for Business, Skills and Innovation (BIS) to discuss the work that will now be required to scope next steps on this, including resources and timetable for recruitment.

- 2.13 There is some risk that the expectations in the commentary around the launch of the White Paper have been set higher, and wider, than would be advisable. If the work includes legal actions, then the Board will note that there are significant cost and potential liabilities that might arise. Some stakeholder comments that there is a risk of confusion in terms of who does what around consumer education and an early meeting with the Office of Fair Trading, which runs a network on consumer education, to exchange views on this would be important. Having said this, there are good potential synergies in the work of the Consumer Advocate in relation to:
- Future models of empowerment discussed at the All Boards Awayday
 - Design of the programme of work on Complaints of General Interest.
- 2.14 The Scottish Government is to take forward proposals for a Tribunals Service for Scotland following a report by the Administrative Justice Steering Group, convened by Consumer Focus Scotland. Tribunals deal with around 50,000 cases a year in Scotland and there is an opportunity to improve the accessibility and consistency of this service for consumers.
- 2.15 As reported to the Board on June 29 2009, as part of our vulnerable disconnection investigation, British Gas has changed their policy towards revenue protection. They will no longer disconnect vulnerable consumers accused of meter tampering if it is their first offence.
- 2.16 Work led by Philip Cullum has successfully influenced airport regulation in line with Consumer Focus work on Rating Regulators. Philip met with the Secretary of State, along with Martin Cave and members of an expert panel, to set out these recommendations.
- 2.17 In line with my letter to Hector Sants at the Financial Services Authority (FSA), and meeting to discuss this, the FSA has now agreed to review consumer protection in relation to structured products.
- 2.18 As reported orally to the last Board meeting, we appear to have had a significant impact on the government's public service strategy. This relates to a proposal on consumer and citizen rights we put to the Cabinet Office ministers earlier in the year and on which we held a joint seminar with the Strategy Unit on May 18 2009. Officials report that our input was the 'genesis' of the work on entitlements.
- 2.19 In September 2008, the Scottish Government asked the Healthyliving Award Team to produce a higher level of award by March 2009. Consumer Focus Scotland delivered on this brief and the higher level award was officially launched by the Minister for Public Health and Sport in May 2009.
- 2.20 We are campaigning for independent garages to sign up to the voluntary code of practice for the car servicing industry, with our work highlighted on BBC Breakfast TV. 5,000 garages out of around 20,000 are now signed up, saving motorists what we estimate to be £150 pa each.

- 2.21 Consumer Focus Labs, our small online innovation team, has launched a beta version of a site on product recalls, meaning that consumers who search for products online can now find out whether there have been or are product safety concerns.

Significant activities since the last Board meeting

- 2.22 Our report on environmental claims in advertising, “Green Expectations,” was published at the end of June.
- 2.23 Staff have set up our “Focus on Finance” debate series, with the assistance of the Board steering group for this project. John Howard, former chair of the Financial Services Consumer Panel (and ex-Board member of energywatch), has written a paper for the first seminar on July 8 2009 on the topic of: Financial regulation: Consumer safeguard or straightjacket?
- 2.24 In the build up to the final Digital Britain report, which was published in June, our particular focus has been working behind the scenes to convince the Government to create a fair use exception in copyright law. The Digital Britain report suggests the Government is likely to carry out further work in this area.
- 2.25 Our mobile phone consultation, “Mobile: what’s the problem?” closed on June 23 2009. We are currently collating and analysing the responses. In the same month, we hosted a workshop on mobile consumer priorities, chaired by Roger Darlington. Participants included representatives from Ofcom and the Citizen’s Advice Bureau.
- 2.26 62 MPs have now signed Early Day Motion 118, supporting Consumer Focus, Ofcom and Age Concern’s campaign to raise awareness of silent calls and how to prevent them.
- 2.27 Consumer Focus commissioned research into the wholesale-retail energy price gap which showed that energy customers are being overcharged by a combined £1.66 billion this year (£74 per household), as declining wholesale costs have not been fully passed on by suppliers. This work has helped to generate a high level of debate.
- 2.28 Prior to the legislation being put on pause, we have worked on amendments to the Postal Services Bill and commissioned research from Europe Economics on the ‘Effects on consumers of the sale of a minority stake in Royal Mail’. On June 30 2009 Robert Hammond made a keynote speech on postal issues at the Institute for Economic Affairs/Market Force conference on the future of UK postal services. On July 1 2009 Larry Whitty wrote to the Secretary of State to urge action to ensure effective regulation.
- 2.29 Consumer Focus Post has commissioned the first major piece of work on improving mail services between Northern Ireland and the Republic of Ireland.
- 2.30 A number of reports have been published across the Consumer Focus family and I would pick out for attention by the Board the stream of high quality and influential short

policy reports from Consumer Focus Scotland on issues from involving school parents through to the reform of administrative justice.

- 2.31 On fuel poverty, Consumer Focus published the report 'Rising SAP' in May. The report shows how a major energy efficiency programme, based on a target 'EPC' standard, could come close to eradicating fuel poverty. It recognises the costs of this programme and to end fuel poverty advocates a three fold increase in current levels of expenditure.
- 2.32 We have carried out two small mystery shopping exercises. The first flagged up a change in energy suppliers' policies regarding social tariffs. The second identified potential problems around the quality of advice being provided by Consumer Direct to consumers struggling to afford to pay their fuel bills.
- 2.33 Larry Whitty has met with the Secretary of State and senior staff at DECC to advocate inclusion of tougher energy efficiency standards in the forthcoming Energy Bill, as well as mandatory social tariffs. Meanwhile, the Conservatives have invited us to submit proposals for how our proposals might dovetail with their commitment for a £6,500 long term loan to householders to retrofit their homes.
- 2.34 We have commissioned and carried out analysis of a snapshot survey on how consumers are managing their debt in the current economic climate. Additionally, we've responded to a number of consultations, such as on basic bank accounts, OFT second charge lending guidance and the OFT financial services strategy.
- 2.35 Consumer Focus actively participated the in 10th annual Transatlantic Consumer Dialogue (TACD) meeting held in Brussels in June. We have been particularly active in developing the TACD policy agenda on intellectual property and climate change.
- 2.36 As part of our activity to influence the review of the OECD's e-commerce guidelines we are leading a cross-country mobile commerce mystery shopping survey and consumer organisations in 10 countries have agreed to participate.
- 2.37 The "Within Reach" report on post office outreach services published in early June and picked up as an exclusive by the Daily Mail. This is the first of two reports looking at outreach services. Outreach arrangements ensure that 500 communities who lost their fixed post office under the closure programme can continue to access post office services.
- 2.38 The National Audit Office (NAO) report into the handling of the post office closure programme was published in late May. The report was followed up with an evidence session before the Public Accounts Committee on 29 June, during which Consumer Focus gave evidence. The report recognises the significant role played by Postwatch/Consumer Focus in protecting the consumer interest through the programme.
- 2.39 We received exceptional media interest for our criticism of the manufacturers of Mars Bars and Snickers for shrinking these products without reducing their prices.

Stakeholder engagement

- 2.40 We plan to undertake a full stakeholder survey towards the end of the year, but the Board will recall that it asked for an interim piece of work on our reputation, to be based on in-depth interviews with around a dozen senior people at GB level who have a perspective on the first few months of the organisation.
- 2.41 We commissioned Suze Gomme Research (SGR) to undertake this work and give us an anonymised report on the findings – this is attached at Annex B.
- 2.42 We provided SGR with a list of around 30 potential participants; a total of 14 were interviewed in June 2009, using a discussion guide which is also attached. They included regulators, energy and post suppliers, senior civil servants and Government departments, non-departmental public bodies, business representatives, voluntary advisory bodies and media representatives.
- 2.43 This work was undertaken in accordance with the Market Research Society Code, and we do not know who was interviewed. However we are advised that the list includes two Chief Executives, two Managing Directors, five Directors and two Heads of Consumer Affairs/Policy. Staff have had no input to the analysis in, or conclusions of, the report.
- 2.44 The Board will see that the findings are largely positive and include:
- a feeling that we have made a good start and have both built on and distinguished ourselves from the predecessor bodies.
 - positive feedback on the Board and management of the organisation, and a feeling that we have high quality staff.
 - some stakeholders believe we made an impact in the first six months; others think we were more internally focused as we build the organisation but are optimistic we will make a splash over the next six months.
 - there is some concern about the breadth of our remit.
- 2.45 There is an active programme of work with stakeholders across the Consumer Focus family, including:
- 2.45.1 Work identified by Consumer Focus Wales to build stronger relationships with businesses and the TUC in Wales.
- 2.45.2 A range of public speeches by senior staff, as well as private presentations that included events for the senior management teams at Ofgem and Ofcom.
- 2.45.3 Contact with political representatives. In Westminster, Consumer Focus now co-sponsors the All Party Group on Consumer Affairs and Trading Standards with the Trading Standards Institute.

2.45.4 Consumer Focus Post representatives met with ComReg Officials to discuss the issue of cross border mail between Northern Ireland and Republic of Ireland.

Significant activities coming up

2.46 The Senior Director for Consumer Focus Wales is working on the design and development of the Complaints of General Interest team. This team will be responsible for the investigation of complaints of general interest throughout Great Britain and will be based in Cardiff.

2.47 We will publish a discussion paper on the need to enhance protection of consumer prepayments. Our consumer research – the first on this issue to be conducted for 25 years – has identified that one in ten consumers have not received goods or services paid for in advance during the last two years. The new Consumer White Paper makes a welcome commitment that it will take account of “the recommendations to be contained within Consumer Focus’s forthcoming report on the prepayments market.”

2.48 We are soon to publish a paper arguing for consumers to have a private right of redress under the Consumer Protection Regulators, which give businesses a general duty to trade fairly. In transposing the European Directive, we regret the fact that the UK Government decided not to give consumers the opportunity to pursue a claim in court by themselves.

2.49 We are working on the analysis of the Consumer Conditions Survey and plan to start promoting the findings shortly.

2.50 There are particular concerns around the handling of postal service complaints in Northern Ireland that Consumer Focus Post is aware of. In short, consumers are unsure of where to go for advice on postal complaints. Consumer Focus Post will undertake a road show, visiting advice agencies throughout Northern Ireland, providing detailed information on the new postal complaints procedures.

2.51 Consumer Focus Post will also issue two invitations to tender for research on improving first class mail services between Northern Ireland and GB and, in line with our wider work, on evaluating the impact of the Post Office Outreach Services.

2.52 We will be publishing “Debt in Focus,” a report from consumer research as well as updated analysis by Cornwall Energy of suppliers’ social packages. We are also exploring case studies of life in fuel poverty.

2.53 We are looking into the possible enforcement through collective action against Npower for overcharging 2.2 million consumers. We are currently investigating the extent of material disadvantage to consumers. The aim would be to seek compensation for consumers and review Ofgem’s powers and duties in this area.

2.54 “Operation Keep the Heat On,” the outcome of the vulnerable disconnection project, will be published over the next six weeks.

- 2.55 We are investigating options for a potentially high risk area of action for consumers around energy overcharging. On June 15 2009 the National Housing Federation (the social housing federation for England) issued a press release suggesting that Ofgem's failure to prevent energy companies from overcharging prepayment meter customers by £464 million could have been a breach of EU rules. We are exploring whether there is a case for compensation, possibly through facilitating a test case, under Directives 2003/54/EC for electricity and 2003/55/EC for gas if they had been charged more than was cost reflective for that payment method after July 1 2004.
- 2.56 We estimate that standard credit and prepayment meter (PPM) consumer have been overcharged (beyond costs to serve) by around £1.8 bn in the last two years alone (July 07 to June 09). These range on average between 29p and £127 for PPM customers and £7.46 to £222 for standard credit customers. We are therefore pursuing the following course of action, to:
- investigate the possibility and practicality of a test case and present a paper to the Board, most likely for decision in September, which will include risk/benefit and legal analysis.
 - issue a holding statement to partner organisations and stakeholders jointly with the National Housing Federation.

3 Proposal

3.1 The Board is asked to

- 3.1.1 Agree internal and external priorities for July – December 2009 set out in Annex A
- 3.1.2 Agree to receive at its meeting in September 2009 a report on options for the implementation of the Consumer Advocate.
- 3.1.3 Discuss the findings of the Consumer Focus Reputation Audit, attached as Annex B.

4 Resources

- 4.1 The resource implications of the internal and external priorities are considered as an integral part of the workplan set out in Annex A.
- 4.2 The Senior Management Team will explore the resource needs that relate to the Consumer Advocate proposal.

5 Next steps

- 5.1 The Board will receive reports on the completion of milestones in relation to the Senior Management Team priorities. At the September 2009 Board meeting, my CEO Report will include full quarterly data in relation to the agreed Key Performance Indicators.