DEPARTMENT OF TRADE AND INDUSTRY
REVIEW OF THE NATIONAL CONSUMER COUNCIL

FINAL REPORT

19 MAY 1994
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REVIEW OF THE NATIONAL CONSUMER COUNCIL

FINAL REPORT

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**Appendices**

**Review of the NCC and CEG**

**Summary of Recommendations**
SUMMARY OF RECOMMENDATIONS

We set out below the main recommendations of our review of the generic National Consumer Council, comprising the National Consumer Council (NCC), Scottish Consumer Council (SCC), Welsh Consumer Council (WCC) and the Consumers in Europe Group (CEG). The recommendations are listed in order under the title of the section of the report in which they appear.

PART A: OPTION FOR THE FUTURE OF THE NCC

The recommendations of Part A of this report, which reviewed and developed the work that we carried out in Stage I of the Review, are:

3. Core Consumer functions and the NCC

   i. Option 1: Abolish the NCC (paragraphs 31 - 39)
   ii. Option 2: Re-allocate NCC’s duties to another consumer organisation (paragraphs 40 - 44)

1. We recommend that the function of the NCC should continue.

2. We do not recommend a re-allocation of the NCC’s duties to other bodies.

We consider that this analysis fully supports the main recommendations in our Stage 1 Report, section 2, that the NCC be retained in some form or other.

   iii. Option 3: Radical Change (paragraphs 45 - 54)

3. We cannot recommend the option radically to reduce the number of members of Council.

4. We do not recommend radical change of the NCC.

   iv. Option 4: Leave the NCC as it is (paragraphs 55 and 56)

5. We recommend that this option is not further considered.

   v. Option 5: Less Radical Change for the NCC (paragraphs 57 - 64)

6. We recommend that the NCC should be retained in essentially its present form and improvements to its effectiveness sought.

These recommendations confirm the recommendations supporting the continued existence of the NCC that we made in our Stage I report. The option of simply closing down the NCC is one that we could not possibly recommend to Ministers.
5. Organisational Options for the Future of the NCC and CEG.

We recommend that:

7. The current status of the NCC and the CEG each as a Non Departmental Public Body is retained (paragraphs 70 - 72)

8. The current tripartite structure, in which the SCC and WCC address relevant national (Scottish and Welsh) issues within the overall umbrella of the generic NCC, is the most appropriate structure for a National Consumer Council (paragraphs 81 - 84)

9. We recommend that the Department should continue to sponsor the CEG and continue to support its transition to a directly funded organisation independent of the NCC (paragraphs 85 - 90)

10. We recommend that the DTI should continue to pay grant-in-aid to the NCC and CEG at a level to enable them to carry out their core functions as defined in their aims and objectives and expanded upon in their corporate plans and work programmes. The level of that funding will, of necessity, depend upon the resources available to the DTI, the performance across time of the NCC and CEG and competing claims for funding (paragraphs 92 - 100)

PART B: FINANCIAL AND PERFORMANCE REVIEW

6. Performance of the NCC and CEG

We recommend that:

11. The NCC and the CEG set targets for the control of significant categories of income and cost as part of its corporate planning process and annual work planning (paragraphs 140 - 142)

12. The use of project management schedules is introduced as part of the NCC’s internal management processes (paragraphs 144 - 153)

7. Corporate and Strategic Planning

We recommend that the generic NCC:

13. Prepares an integrated corporate plan for the period 1995/96 to 1997/98 and that plan is rolled forward each year as part of the preparation of their PES bid (paragraphs 200 - 205 and 207)
We recommend that the generic NCC corporate plan should:

14. Identify the resources which will be allocated to each of the strategic policy priorities and the other principal areas of activity (paragraphs 189 - 193 and 208).

15. Address explicitly the issue of how those areas which are considered to be strategic priorities are to be resourced and present alternative strategies based on alternative levels of grant-in-aid provided by the DTI and other funders (paragraphs 172 - 173 and 208).

16. Include performance indicators and targets at a corporate level relating more closely to the aims and objectives of the Council[s] and the strategic priorities (paragraphs 177 - 186 and 208).

17. Indicate the opportunities available for working with other organisations in delivering its aims and strategic priorities (paragraphs 172 and 208).

18. Incorporate a review of performance against the Council's aims, strategic priorities and key performance indicators as part of the development of the strategy and resource allocations (paragraphs 194 - 199 and 208).

We recommend that the CEG:

19. Prepare a freestanding corporate plan alongside its negotiations with the sponsoring division of the DTI on its transition to a fully independent body (paragraphs 206 and 209).

20. Adopts the principles set out in recommendations 14 to 18 in respect of the NCC corporate plan (paragraph 209).

We recommend that the DTI:

21. Develop and agree with the NCC and the CEG new reporting relationships based on a change from the current operational level to a strategic level (paragraph 210).

8. Planning, Managing and Monitoring the Work Programme

i. a common framework

22. We recommend that the generic NCC and the CEG adopt a common work plan framework based on their respective core activities, issues and strategic priorities (paragraphs 250 - 253).
ii. *a project basis for work planning*

23. We recommend that the NCC and, for its larger pieces of work and streams of activity, the CEG adopts a project based planning framework, cutting across current departmental and role divisions where those exist (paragraphs 254 - 257)

iii. *specific recommendations*

We recommend that the:

24. SCC, WCC and, where possible, CEG bring to their allocation of resources the same degree of detail and precision as the NCC (paragraph 258).

25. Three Councils and the CEG put a cash value of the staff time allocations to projects (paragraph 258).

26. CEG make provision for an explicit margin of contingency in their work plan (paragraph 258).

27. SCC and WCC be explicit about the contingency margin built into their plan (paragraph 258).

28. Generic NCC and the CEG further develop criteria for determining the content of their annual work plans (paragraph 258).

29. Generic NCC and CEG develop a system for weighting strategic outcomes and measuring the contribution of projects towards them.

30. Generic NCC and CEG should also address the type of output measure they use and the targets they set (paragraph 258).

31. Generic NCC and CEG should monitor out-turn against plan as the planning year unfolds and report progress to their main sponsors the DTI (paragraph 258).

32. NCC and SCC should extend the scope of annual work plans to include internal administration and management (paragraph 258).

9. **The Management Of Financial Resources**

33. We recommend that the Council in developing its approach to income generation should:

* introduce a precise costing of products and services and the development of a pricing formula;
• increase budgetary devolution of cost and revenue responsibilities, including the generation of income, to senior managers;

• develop a finance and accounting system that will allow for the separate accounting of income streams

• systematically collect market research data on potential for sales

• maximise the potential income generation from existing products and services

• include marketing and sales actions as an integral part of all project plans (paragraphs 268 - 277).

We recommend that:

34. The installation of the commercial accounting package, which enables the preparation of commitment accounts and cash flows, proceed but in an enhanced form with potentially greater functionality (paragraphs 293 to 296).

35. The commercial accounting system, rather than cash accounting system, be the driver of the overall 'financial' regime (paragraphs 293 to 296).

10. The Sourcing Of Services

We recommend that the generic NCC and CEG:

36. Review the potential for outsourcing services, as part of the process of preparing its corporate plan and its annual work programmes (paragraph 305).

37. The NCC should review the opportunities for sourcing their research and administrative support services from external sources (paragraph 306).

38. The NCC review the payroll and accounting services provided through the NCC with a view to negotiating a continued service once it becomes fully independent of the NCC (paragraph 307).
1. INTRODUCTION

1.1 Terms of Reference

1. This report sets out our findings and recommendations in Stage III of the Review of the National Consumer Council. For the purposes of this review, the National Consumer Council [NCC] comprises the NCC, the Scottish Consumer Council [SCC] and the Welsh Consumer Council [WCC]. We also reviewed the performance and value of the Consumers in Europe Group [CEG] which is currently funded through the NCC though it is an independent organisation.

Our revised terms of reference for the Stage III work were:

"1. Review Stage I findings and having regard to the main review report, reach conclusions, identify options and make recommendations addressing the questions:-

(a) What core functions providing for the co-ordination and representation of consumer interests in relation to UK and EU policies are appropriate for the NCC and a cost effective use of public funding for the future

(b) What would be the most appropriate organisation and structure of the NCC to carry out these functions efficiently and cost effectively

(c) How would such a body fit in with and relate to other consumer bodies, groups and organisations (eg the Consumers Association (CA), national consumer committees (NICCs), National Association of Citizens Advice Bureaux (NACAB), Citizens Advice Scotland (CAS) and the Office of Fair Trading (OFT))

2. The main review is to address:

(a) Criteria for measuring and assessing the extent to which the activities and performance of the NCC are a cost effective use of grant-in-aid, and are an effective support of consumer interests;

(b) NCC policy to market testing, and contracting out of functions and services;

(c) Performance since the 1988 review, including achievements and successes, strengths and weaknesses, how far they have met the aims and objectives, financial and other performance targets, and steps taken to improve efficiency, effectiveness, performance and value for money;
(d) Management and financial accounting and information systems, including budgeting and estimating;

(e) Corporate and strategic planning; co-ordination with the public expenditure survey; extent to which specific outputs and performance measures and targets are set, monitored and acted upon."

3. Part A of this report deals with paragraph 1 of the terms of reference with paragraph 2 issues covered in Part B.

1.2 Acknowledgements

4. We would like to record our thanks to the Chairmen and Directors of the three Councils and the Secretary of the CEG, and to their staffs, for the willing cooperation with which they have responded to our requests, often at short notice, for meetings and information. We also thank Peter Atkinson and David Brown of the DTI's Consumer Affairs Division 2 for their guidance on our work, particularly in respect of assisting our understanding of Government and DTI's consumer policy, objectives and functions as set out in Part A.
PART A: Option for the Future of the NCC
2. THE NEED FOR A CONSUMER PERSPECTIVE

2.1 Government Policy Towards the Consumer

i. DTI's aims and objectives

5. The Government's policy towards consumers springs from the DTI's own aim and objectives, as approved and promulgated by the President. Its aim is:

"to help UK business compete successfully at home, in the rest of Europe, and throughout the world."

The objectives that are most relevant to consumer matters are:

"to widen choice and stimulate enterprise by promoting competition and privatisation."

"to maintain confidence in markets and protect consumers by fair, proportionate and effective regulation, while working to reduce regulatory and administrative burdens on business."

6. These objectives are currently reflected in those of Consumer Affairs Division whose MINIS Form A, as agreed by DTI Ministers, is at Appendix A.

ii. The Citizen's Charter

7. The DTI focuses primarily on private sector markets, including the regulated utilities and the consumers of their goods and services. But consumers also consume public sector goods and services. The Citizen's Charter is the centrepiece of the Government's policy towards consumers in that sector.

8. The Citizen's Charter is based on six principles:

- **standards**, of service which should be challenging and published. Performance against the standards should also be published.

- **information and openness**: there should be full, accurate and regularly available information, including comparative information, about public services: how they are run, what they cost and who is in charge. Public servants should not be anonymous.

- **choice and consultation**: customers should be consulted about what they want, regularly and systematically; and the information gathered should be used to improve services.
• courtesy and helpfulness

• putting things right, when they go wrong, with explanations, apologies, complaints procedures, learning of lessons and redress, as appropriate

• value for money.

The elements of market improvement and consumer protection are clearly evident in these principles.

9. The Citizen's Charter exerts pressure upon Government Departments, Agencies, the remaining nationalised industries, the regulated utilities, local authorities, police forces and the National Health Service to meet consumers' needs and thereby implement the Government's consumer policy in the public sector.

2.2 Consumer Policy

10. The importance of a policy towards consumers is significant. There are 58 million consumers in the United Kingdom who consume goods and services continuously all their lives and in a myriad of different ways. They outnumber producers by nearly 3 to 1. Of the 58 million consumers, some 44 million of them can vote.

11. The DTI's aim and objectives as reflected currently in the objectives of Consumer Affairs Division implicitly recognise the natural tensions between producers and consumers. The maintenance of confidence in markets both at home and abroad is a necessary condition for the success of UK business. It depends on maintaining a balance between the promotion of competition and privatisation on the one hand and protection of the consumer on the other.

12. Producers exist to satisfy consumers. The interests of both are best served by free and competitive markets in which consumers can choose freely how best to allocate their resources to meet their needs.

13. In order to promote competition and improve the operation of the market, choice for consumers should be widened. This implies the freest possible access to markets by consumers and the best possible flow of accurate, relevant and readily understood information to be available to them. In this way enterprise by producers will be stimulated to the greatest possible extent.

14. The Government believes that these objectives can best be achieved through successful competition, the promotion of enterprise, privatisation and the removal of unnecessary regulatory and bureaucratic burdens on business. The Government also recognises that where competition is not perfect, for example, where:
• privatisation is impossible or leads to monopolistic conditions

• it is difficult for even the most demanding consumers, let alone those with restricted access, to obtain the information they need to make good market choices

• there is an evident imbalance of market power between suppliers and consumers, including where there are too few suppliers active in the market

• markets are liable to break down (or have broken down) through fraud or restrictive practices

• international markets do not work freely; then

    it is obliged to intervene, to the minimum extent necessary, to restore the balance or redress the imbalance, for consumers as much as for suppliers.

15. To protect consumers, markets need to be regulated fairly, proportionately and effectively to:

• prevent and punish fraud and deception

• set standards of manufacture and provision of services, in particular over safety

• provide simple and inexpensive redress to consumers if they are misled or given inadequate information; and thereby

• increase consumer confidence, which, in turn, stimulates efficient production.

16. It is, accordingly, the objective of consumer policy, where competition is imperfect for whatever reasons, to ensure that consumers can:

• obtain accurate, relevant and readily understood information about goods and services

• exercise better market choices in their own interests

• have access to the goods and services they need

• obtain simple and inexpensive redress if they are defrauded or deceived

• purchase or receives safe goods and services through adherence by suppliers to reasonable safety standards

• enjoy equity of treatment by not being discriminated against or dominated by suppliers or other consumers; and
• be adequately represented, bearing in mind their greater diffusion and weaker position in imperfect markets than that of suppliers.

It is in these areas that we consider that the core functions of the Government in relation to consumers can be defined.
3. CORE CONSUMER FUNCTIONS

3.1 Core Functions

17. To put these principles into practice certain core functions need to be carried out by Government. First, Ministers need:

- policy advice, including policy analysis
- formulation of new consumer affairs legislation, as required
- review of existing legislation; and
- policy presentation.

For this they rely in the DTI on Consumer Affairs Division, which in turn seeks to ensure coherent consumer affairs policies across the whole of government.

18. Second, Ministers need assurances that their policies, once formulated, are implemented, and having the intended effect. For this they rely on the great variety of bodies which watch over the operations of the market and the public sector including the extent to which consumers' interests are satisfied. Since competitive markets are the most efficient way of achieving this, Ministers will want to know how best markets can be left alone to meet consumers, needs, and what is the absolute minimum of intervention needed in different areas to increase competitive forces and to avoid placing undue burdens onto business. To this end they will need advisers to observe the workings of the market and to advise them when market imperfections are harming the interests of suppliers and of consumers. In terms of consumer policy this implies a capability to keep under review all the elements of the policy (see paragraph 6 above) in all the areas where these elements are, or could be, in question.

19. Third, given the (mostly latent) power of consumers, the Government needs to keep closely in touch with all the bodies concerned in consumer affairs and all the issues that are current or that could become of burning consequence at any time. Food safety is just one of many current examples of issues that are at present low on the political agenda but which have been, and could at any time become, of major importance.

20. Fourth, there are many potential conflicts of interest in the consumer affairs field, for example, between:

- different consumer groups and their representative bodies, eg road and rail users, domestic and commercial consumers, infrastructure and environmental groups, gas and electricity users
- consumers and suppliers, eg over food safety and labelling, safety at work, safety standards, information supply, access to the law and redress of many kinds
• the generality of consumers and those, such as the disabled, with special needs.

These conflicts need to be resolved quickly and fairly if the Government is not to be blamed, however unjustly, by consumers who consider themselves to be at a disadvantage.

3.2 Consumer Policy Implementation

21. To fulfil these core functions satisfactorily and to make its agreed contribution to the DTI's aim and objectives, Consumer Affairs Division needs to:

• understand the consumers' points of view, consult them and explain Government policy to them - Government needs definitive information about all consumers and their interests; and to disseminate information to consumers about Government policies towards the consumer and their implementation, without fear of distortion or partiality

• understand the competitive forces operating in the market especially as they affect consumer interests - on which they have to develop and maintain an overall perspective. The understanding is not confined solely to the UK market but encompasses the increasingly important markets of Europe and of the rest of the world

• receive early warning of important shifts in consumer opinion and in particular of issues of consumer policy that could cause significant difficulty for the Government

• have access, if possible, to an independent, objective and authoritative source of advice and expertise about consumers' interests, backed by relevant research where appropriate. In particular they need access to the views and needs of those consumers who are especially at risk from market imperfections and imbalances and who cannot, for whatever reason, make their views and needs sufficiently well known. They also need reliable information about conflicts of interests between consumer groups and between consumers and suppliers

• have the means to set standards, in particular of safety but much more widely where markets are very imperfect. This implies access to the widest possible range of expertise if the standards are to provide an appropriate balance between the interests of consumers and suppliers

• know how to "re-establish market equilibrium":
  - restoring the balance between suppliers and consumers and between consumers, when one or others gain too much market power
  - providing redress where appropriate, either through the law, through simple and inexpensive means short of the law or through the provision to consumers of more and better information
- doing this at the minimum level necessary to avoid imposing regulatory and bureaucratic burdens onto business.

Only in this way and with clear standards can "fair, proportionate and effective regulation" be achieved while "reducing the burdens on business".

22. To help the Government to meet these needs and to achieve the objectives of consumer policy the DTI, in particular, and other Government Departments concerned derive a significant amount of information through intermediary bodies which have a greater focus on consumer issues than small policy divisions in Departments can manage. The OFT and the MMC are clearly major sources of information and analysis about market operations and imperfections but, as regulatory bodies, cannot in any sense be said to represent, or act as a channel of information to and from, any particular interest group, even one as wide as consumers.

23. It is therefore valuable to Consumer Affairs Division and to Ministers to have access to independent, authoritative, objective and knowledgeable sources of advice about consumers' interests, backed by relevant research. The question of whether the NCC should continue to exist, and if so, what form it should take depends crucially on the view which Ministers take on the persuasiveness or otherwise of the above arguments; and on the extent to which they consider that the NCC has a special role in the field of consumer affairs that other bodies cannot play. In the next section we consider this latter point before reviewing possible options for Ministers' consideration.

3.3 Government Sponsored And Other Intermediary Bodies In The Consumer Field

24. A large number of Government departments, NDPBs and other sponsored bodies are concerned with consumer affairs as an aspect of their work. A resume of the situation is set out in Appendix B. With many bodies operating in the field of relations between consumers and private and public sector suppliers of goods and services, including statutory and non-statutory regulators it can be argued that consumers' interests are comprehensively represented by these bodies and no further general body is required.

25. In addition to the numerous governmental bodies which exist in the consumer field there are also a number of voluntary bodies operating, ranging from the very small and specific bodies such as the Royal National Institutes for the Deaf and Disabled, to the National Federation of Consumer Groups and the Consumers Association, a private sector organisation primarily providing product information and legal support to its subscribers though also having a public lobbying and campaigning function.

26. In Appendix C we have set out in summary form the results of an analysis of the extent to which the roles of the relevant bodies in the field of consumer affairs are proscribed by their terms of reference, membership and sources of funding; and whether, and to what extent, they can fulfil the needs of government, as we have identified them. At a first level of comparison of the relevant bodies in the field of
consumer affairs, shown in Appendix C1, we have reviewed the intrinsic nature, constituency and ability to advise Government on a broad range of consumer affairs of each organisation. In Appendix C2, we compare the organisations in terms if their ability to carry out research of sufficient depth to inform policy formulation and also the ways in which they are able to aid consumers directly. Finally, in Appendix C3, we review the freedom that each organisation has in being able to address broad consumer issues of either immediate or possible future importance in those areas which affect the daily lives of all sections of the public.

27. This analysis is essential in drawing conclusions on to the capability of each of the organisations or types of organisation to represent consumers and to assist Departments in helping Government achieve the objectives of consumer policy. From Appendix C1, we can conclude that:

- the MMC is a quasi-judicial body which responds to the OFT and Ministers and is restricted to dealing with issues that are referred to it

- the next five organisations or types of organisation are all industry or issue-specific bodies which do not, therefore, address wider consumer issues

- the National Federation of Consumer Groups is a small and declining body with insufficient authority to assist Government in policy formulation

- the Consumers' Association is restricted to dealing with issues of interest to its members. The membership, predominantly affluent and living in the South East, represents only a narrow and unrepresentative sample of consumers as a whole

- NACAB concentrate on advising individuals on issues on which those individuals themselves feel the need for guidance. It does not, regularly, deliver policy advice to Ministers and industry

- NCC, while forbidden to address individual cases, is perceived to represent all consumer interests and to be free from constraint in deciding which issues should be addressed except the regulation of relations between workers and employers or organisations of workers and organisations of employers

28. The further analysis in Appendix C2, when taken in conjunction with that in Appendix C1, shows that the NCC is able to:

- act as a source of external, independent policy advice, based on an established research capability, being free from the restriction and constraints of other organisations

- advise on the full range of consumers, not just those to whom it has a particular responsibility

- choose the topics of consumer concern on which to advise Government
• lobby on behalf of any section of consumer interest and to do so with the backing of objective research.

29. In Appendix C3, we can see that:

• both NACAB and the NCC have a wide spread of sectoral interest even though each approaches sectoral issues from a different point of view

• the freedom which the NCC has in addressing sectoral issues will inevitably tend to distract the organisation from a focused approach to consumer affairs. NACAB, in a sense, have the same dilemma to face but their focus will be imposed by their clients

• no other organisation other than OFT - which, as previously argued, cannot because of its statute, be strictly classified as an independent consumer organisation - has the freedom or ability to address the wide range of sections open to NACAB and NCC.

The analysis contained in Appendix C is essential in helping to review the options for the future of the NCC which we do below.

3.4 Options For The Future

30. We consider that there are broadly five options for consideration as a result of our review of our Stage 1 findings:

1. Abolish the NCC

2. Allocate its duties elsewhere

3. Radically change it by narrowing its focus and reducing its size and resources

4. Leave the NCC as it currently exists without any change

5. Less radical change, albeit along similar lines to Option 3, as we recommended in our Stage 1 Report.

We now address each of these options.

i. Option 1: Abolition

31. This option holds the advantages for the Government of:

• a saving of £2.47m [generic NCC and CEG] in 1994/5 and subsequent years

• a reduction in the number of NDPBs

• the removal of a body which is from time to time publicly critical of the Government, its policies and the implementation of those policies; and
• using the market to balance the interests of suppliers and consumers, excepting those cases where specific provision is made under statute for consumer representation. It would, of course, be open to the Government to abolish the other consumer representative bodies within its power within its power, which it considered fulfilled no more useful function than the NCC; but this issue is outside our terms of reference.

32. As against these advantages - on which we do not think we need to elaborate - there are, in our view, significant disadvantages to abolishing the NCC.

33. As we have seen from our analysis in Appendix C, no other consumer body as presently constituted has the ability to:

• represent, and be seen to represent, all sections of consumer interest

• present research-based policy advice to government with no constraint (other than resources to do it) on this subject matter. Other organisations, of course, do present Government with research-based policy advice (most notably the Ombudsmen, the CBI and NICCs) but all do so from a perspective limited to their spheres of interest. The OFT presents research-based policy advice but, as noted previously, their regulatory status precludes them from being perceived as representing consumers. The Consumers' Association has the capability to present research-based policy advice and on occasion does so but the subject matter is chosen for its relevance to the interests of members - a group unrepresentative of consumers in general

• choose, with a high degree of autonomy, the consumers' issues which it will address. All other consumer bodies are constrained in some way or another in choosing the issues of consumer concern to which they apply their energies. For example, the Consumers' Association must inevitably choose subjects of interest to its membership, NACAB to the issues which are driven by its users. Whether or not the NCC uses wisely its autonomy in choosing issues to address is a topic we review in Section B of this report. But the fact is, abolition of the NCC would cause government to lose an independent and authoritative advisor on the fullest possible range of consumers issues both current and of potential future concern

• co-ordinate actions and research on consumer issues across industry and issues boundaries.

34. The conclusions which emerge from this analysis are as follows:

• there is at present no body other than the NCC which can be said to:

  - represent all consumers; and
  - be an effective channel of information between Government and all consumers regardless of their market power.
There is a large number of more specialised representative and information providing groups are active in the field of consumer affairs. Competition between them can be a source of strength, as elsewhere in the market place. But if Government needs help in co-ordinating consumer opinion and responding to it, it may be useful to Government that there should be one body which can give this help and provide Government with the reassurance that no group of consumers is left unrepresented, unheard and uninformed. Equity of treatment can thus be ensured for all consumers.

35. Per contra, it is essential that those sources of advice for policy formulation and information about consumers that the Government does rely on should be - and be seen to be - independent, objective and authoritative. It is very probable that the NCC, with its independent status and wide remit, is the only body that could perform such a role effectively.

36. In areas where competition is weak, limited or non existent, the NICCs have a major role to play. It could be argued, therefore, that the NCC should not be active in this field. Our analysis in Appendix C3 shows that there is an argument in favour of a single body, even in this field, which can promote and safeguard consumers and represent their views across the privatised utilities, if only to promote competition between them; and to ensure that consumers of such goods and services, especially those such as pensioners and others with little market power, are adequately represented, equitably treated and have proper access.

37. In other areas the NCC is one of many bodies that provide information, promote choice, aid access, promote standards, especially of safety, and redress when standards are not met, ensure equity of treatment among consumers and represent their views. This is usually through a third party. But in no case are these functions performed for all consumers by the one body. Only the NCC can perform such a service.

38. A further argument against abolition of the NCC is that it would appear to run directly counter to the policies enunciated under the Citizens' Charter. It would be strongly criticised from across a wide spectrum of consumer interest groups and by the public generally as indicating a lack of Government commitment to the welfare of consumers generally and an unjustifiable reliance on imperfect market focus to balance the interests of suppliers and consumers.

39. We recommend that the function of the NCC should continue (Recommendation 1).

**ii. Option 2: Re-allocate the NCC's Duties to another Consumer Organisation**

40. The question, however, arises as to whether the functions that the NCC carries out could be executed by either an existing consumer organisation or by the establishment of a new organisation.

41. Two current organisations - NACAB and the Consumers' Association - might be able to take over the functions described in para 34 above. However, both would require significant investment in:
• a research capability which could address the broad issues that the NCC currently addresses

• a mechanism which would replace that of the members of the Council in deciding on issues to be addressed

• the opening of new channels of communication with both Ministers and DTI officials; and

• establishing in the perception of all consumers that in its new role, the organisation concerned is representative of all consumers.

42. All of these activities would be costly and time consuming. Additionally, we have been told by representatives of both NACAB and the Consumers' Association that they have no desire to replicate the work of the NCC - indeed the Consumers' Association told us very firmly that they would not be prepared to advise the Government on consumer affairs policy other than on grounds of their choosing lest they compromise their independence and the interests of their members.

43. We do not recommend a re-allocation of the NCC's duties to other bodies (Recommendation 2).

44. We consider that this analysis fully supports the main recommendations in our Stage 1 Report, section 2, that the NCC be retained in some form or other.

iii. Option 3: Radical Change of the NCC

45. The delivery of the core functions does not necessarily require the NCC to retain its present basic form.

46. We need, therefore, to consider further options than those of closure or reallocation to another organisation which we have already discussed and answered. These are:

• a potentially radical restructuring of the NCC

• placing limitations on its scope of activities.

47. First, we look at the scope for a radical restructuring of the generic NCC. The subsidiary issues of a possible restructuring of the regional (WCC and SEC) and European (CEG) elements is addressed in Section 4.

48. Two areas for restructuring immediately suggest themselves. The first concerns the size of the Council and its role in developing policy for the generic NCC. There are many members currently and a radical option would be to reduce the number of members to say, 5 or 6 who, together with the Chairman and Chief Executive, could form a focused policy-making body.
49. This option is superficially attractive in that it could help to offset the obvious criticism that the NCC is insufficiently focused in its scope of activities. Council members could be selected for their familiarity with and skills in areas of consumer affairs which are of specific interest to Government. Once those issues had been addressed, the Council members could then be replaced by others who would reflect the changing priorities of the Government. However, we are persuaded to reject this option on two, related grounds.

50. The first is to be found by reviewing the analysis in Appendix C3 which shows the breadth of issues of consumer interest which the NCC is able to address and which cannot be addressed so freely by any organisation other than NACAB. For the Council to be able to debate and prioritise the focus for the NCC against such a broad spectrum of consumer interest available to it demands a richness of experience and breadth of vision. Such experience and vision is only available given a Council of sufficient numbers.

51. The second - related - reason concerns the benefit to Government which the NCC can provide by its ability both to increase the range and depth of the government's knowledge of consumer concerns, and to select issues of future potential difficulty. As previously noted (paragraphs 17 and 23), Government needs to understand the full range of consumer issues, and have early warning of important shifts in consumer opinion, and in particular issues of consumer policy that could cause significant difficulty. The NCC can succeed in meeting this objective only if the Council is sufficiently broadly-based in addition to being free from Government constraint, howsoever imposed, in setting policy direction. For these reasons, we cannot recommend the option to reduce radically the number of members of Council (Recommendation 3).

52. The second area which must be considered in reviewing options for radically restructuring the generic NCC concerns its in-house research capability. It would be perfectly feasible for the NCC to operate with a reduced head-count if it disbanded its research capability and sub-contracted all the research which is so fundamental to its role in consumer affairs. Both options - retaining the research capability on the one hand or disbanding it and replacing it with commissioned research from the private sector on the other - may be potentially workable. It is a matter of choice rather than incontrovertible argument which will decide which options to choose. However, the NCC is able to produce research of quality and depth which has high and wide regard, not withstanding a few minor inconsistencies. It gives the NCC authority and also enables it to move rapidly to address urgent new issues.

53. We recommend that the NCC should retain its research capability and, where in accord with its aims and strategic priorities, seeks to generate revenue through undertaking paid research projects for other organisations and government departments. This issue is also dealt with in Part B of this report.

54. We do not recommend radical change of the NCC (Recommendation 4).
iv. Option 4: Leave the NCC as it is.

55. The fourth option of leaving the NCC as it is was implicitly rejected in our Stage 1 Report. Whilst we heard many good opinions of the NCC and its work, these were not so universal and unanimous as to justify our recommending no changes. So we proposed issues for further consideration in paragraphs 17 and 18 of our Stage 1 Report. Our review of our Stage 1 findings has not led us to change our mind in favour of leaving the NCC as it is.

56. We recommend that this option is not further considered (Recommendation 5).

v. Option 5: Less Radical Change for the NCC

57. We now turn to those elements of change which we considered in our Stage 1 report. The apparent lack of focus of the NCC's activities raises the question as to whether major limitations should be placed on its areas of interest and activity. We address this issue in depth in Section 4.3 of this report. Nevertheless, the analysis in Appendix C3 gives a clear indication as to which general areas of consumers affairs are sufficiently well addressed by other consumer organisations to enable the NCC to withdraw from that field and hence radically increase the focus of its activities. Overlaps between the work of OFT, NACAB, the Consumers' Association and the NCC are apparent in several sectors. As noted previously, however, each approaches these sectors from quite a different point of view.

58. It could be argued from the table in Appendix C3 that the NCC may well be duplicating work carried out by these other organisation in the spheres of Legal Affairs, Goods and Services, and Financial Services. However, we know that it is in two of these sectors (Legal and Financial Services) that the NCC has carried out some of its most important policy work recently, illustrating yet again that the NCC's apparent overlap with other consumer organisations are no so much overlap as a complementary approach to the issue in question.

59. Nevertheless, it is clear that the NCC must take steps to limit the range of activities on which it seeks to comment in order to:

- use its resources in the most cost effective manner
- produce research of consistently high quality on the topics which it addresses
- be seen, as a result, as an even more authoritative source of government and policy guidance than is currently the case.

These were the concerns which caused us to recommend in our Stage 1 report - and to continue to recommend in this report - that the NCC, which we are sure should be retained in its present basic form, must change.
60. Those changes relate to the increased selectivity with which consumer issues are chosen on which the NCC focuses - or, rather, fails to effectively focus - its activities. We believe that our review has shown that it would be wrong to radically narrow the range of sectors which the NCC is at liberty to address. No area of consumer interest is so well addressed by any other organisation that the NCC's potential for involvement can be shown to be in some duplication of effort.

61. Nevertheless, greater focus is needed as we have argued. It would clearly be inappropriate for an independent body to have the scope of its agenda decided by Ministers. Equally, however, Ministers can expect such a body to take due account of their policy concerns and their needs for advice about consumer issues. We suggest that one way of tackling this delicate issue is through periodic meetings, formal and informal, between Ministers, Departmental officials and the Council and its officials at which:

- Government can tell the NCC of its priority concerns

- the NCC in its turn can inform Government of the needs and expectations of consumers.

62. Through such a disciplined and mature process, the NCC's decisions about the focus and range of its work and the application of the allocated resources would be likely to result in mutually acceptable outcomes.

63. We believe that an improved relationship along these lines is what is needed to ensure the successful implementation of the recommendations of our Stage 1 report.

64. We recommend that the NCC should be retained in essentially its present form and improvements to its effectiveness sought through the above steps (Recommendation 6). In addition, we recommend changes to its operating procedures which are the subject of Part B of this report.
4. ORGANISATIONAL OPTIONS FOR THE FUTURE OF THE NCC AND CEG

4.1 Organisational Options for Consideration

65. Our Stage I report recommended that the NCC and CEG should be retained and should continue to be funded by Government. We argued that its activities played an important and valuable role in co-ordinating and representing consumer interests. The NCC’s soundly based research can and does inform policy deliberations, can and does assist and pressurise organisations to give greater consideration to the justified interests of the consumers of their goods and services and plays a vital role in ensuring that disadvantaged and inarticulate consumers’ interests are represented.

66. The recommendations in that report were based on an extensive programme of interviews with a wide range of interested parties and the submission of views by over 60 organisations with whom the NCC had contact in one way or another. Following consideration of our recommendations by Ministers, the Terms of Reference for the Stage III of the review were modified to include a development and reconsideration of our Stage I findings.

67. This we have done in Sections 2 and 3 of this report. On this occasion we have approached the issue of whether or not the NCC makes a sufficient contribution to the arena of consumer affairs for its continued existence to be justified from the point of view of whether or not there is a need at all for an organisation such as the NCC.

68. We consider that our analysis in the previous sections of this report confirm the recommendations supporting the continued existence of the NCC which we made in our Stage I report. The option of simply closing down the NCC is one that we could not possibly recommend to Ministers.

69. Having, to our satisfaction, argued the case for an organisation whose remit is essentially that of the NCC and CEG, we now examine further options for the NCC and CEG in terms of their:

- status as an NDPB
- mission, aims and objectives
- organisational structure; and,
- financing.
4.2 Status of the National Consumer Council and CEG

70. The NCC and CEG are NDPBs with no statutory powers. As a consequence, they rely on their ability to present an objective and authoritative consumer voice for influence and the delivery of its desired outcomes. We consider that the current status is critical in that it enables the NCC and CEG to:

- maintain their independence of Government, from whom it receives the vast majority of its funding, whilst at the same time being able to have access to Government, as "one of us, not them" as it was put to us on more than one occasion, to argue its position in a way which other bodies are not able

- provide an independent voice for the various 'target recipients' of its work, be they the British Government, the European Commission, public bodies, regulators, ombudsmen or service and goods producers; and,

- provide an informed and expert input to debates and discussions which impact on the consumer – for example, its work on international trade, the Common Agricultural Policy, the Courts system and pharmaceutical products.

71. In this respect, a key aspect of the Council's Memorandum is the explicit preclusion of it being involved with individual consumers, unlike its generic counterparts the Consumers Association and Citizens Advice Bureaux which are centrally involved with individuals. Not only does this preclusion give it its specific place in the consumer network, it forces the NCC to take a less adversarial role than the other national consumer groups. Furthermore, by not being able to act for the individual, there is no potential for the Councils' engaging in legal proceedings against service and goods producers to whom they are advocating a consumer viewpoint [though it has on occasions acted as an expert witness]. The NCC is considered, therefore, on the evidence of our discussions with producers' organisations, as being a "safe and trusted" organisation through which consumer issues can be pursued. Similarly, the CEG does not address individual consumers' concerns and shares the same benefits and privileges enjoyed by the NCC.

72. We recommend that the current status of the NCC and the CEG each as a Non Departmental Public Body is retained (Recommendation 7).

4.3 The Mission, Aims and Objectives of the NCC

73. The relevant parts of the NCC's Memorandum and Articles of Association are set out in Appendix D. We need to ask two questions about them:

- do they reflect the Government's Consumer Policy or do they need amending?; and,

- does the NCC operate consistently with them?
74. The answer to the first question can best be sought by comparing the NCC's Memorandum and Articles of Association with the objectives of Consumer Affairs Division, the statement of consumer principles in paragraph 18 above and the statement in paragraph 23 above of what Consumer Affairs Division must do in order to fulfil its core functions.

75. Such a comparison prompts the following observations on the NCC's Memorandum and Articles of Association:

- the words "as the Company thinks fit" in paragraph 3a, b and g bestow a considerable degree of autonomy and independence of Ministers upon the NCC. This is bound from time to time to cause discomfort for Ministers but in our view there are considerable advantages to be gained by Ministers from having an independent and authoritative voice on consumers' interests to which they can refer and which they can inform. Moreover, if the NCC were not seen to be both independent and authoritative, it would not be listened to by Government and suppliers and thus be unable to represent consumers.

- the strength of the words "promote", "ensure" and "insist" in the main body of paragraph 3 lay on the NCC a series of obligations to play a positive, pro-active role in the interests of consumers, including lobbying of these interests in the processes of policy formulation, legislation and policy implementation. Lobbying by NDPBs can also be a source of discomfort for Ministers; but, used with discretion, as we perceive is the NCC's intention and practice, lobbying is a necessary function if a body such as the NCC is to maintain credibility with consumers and other consumer groups.

- the NCC is explicitly enjoined to represent strongly "the interests of all consumers including the inarticulate and disadvantaged". It could be argued that, in a market economy, inarticulate and disadvantaged consumers do not need to be singled out for special mention and treatment; to the extent that their inarticulate and disadvantage restricts their market power, they are catered for by the social security system and/or local government services. As against this it can be argued that, since articulate and advantaged consumers are represented by their own organisations, such as the Consumers Association, it is right and equitable that others, for example, pensioners and the poor who cannot afford membership of such organisations and who have restricted market power, should be particularly taken into account among the rest of consumers, by the NCC.
• the paragraph on the promotion of consumer representation in the nationalised industries (3a) has been somewhat overtaken by the Government's privatisation programme. But competition in the regulated utilities is by definition limited. Consumers in this sector could be regarded as being safeguarded by the existence of the NICCs. But they do not represent consumers as a whole across the industries. This is the distinctive role of the NCC towards consumers in this sector, particularly with respect to those consumers who can easily be marginalised both by the regulators and by the NICCs as they seek to balance the interests of producers and consumers as a whole; and,

• the NCC is specifically excluded from giving "information and advice of value to individual consumers only" (3g). The NCC does not seek to do so, leaving this area of activity to NACAB and CA (among others).

76. Apart from these observations, which indicate options for Ministers should they wish to change the NCC's Memorandum and Articles of Association, we consider that the NCC's current Memorandum and Articles of Association are entirely compatible with the objectives of Consumer Affairs Division; and that the latter could not effectively and efficiently achieve their objectives without an intermediary and conduit between the Department and all consumers, drawing into play the wide range of stakeholders in that relationship.

77. There is no doubt that the Memorandum and Articles of Association of the NCC are equally compatible with the objectives of consumer policy and the core functions - always assuming that Ministers endorse them. Indeed the existence of a body like the NCC with suitable resources and freedom to address a wide range of fundamental issues of concern to consumers is a necessary condition for the efficient formulation and delivery of the policy and the exercise of the core functions.

78. It must be asked whether and to what extent the NCC operates within and sufficiently lives up to its Memorandum and Articles of Association. The first test of this must be whether the mission and activities set out in the current Corporate Plan (1993-96) match the Memorandum and Articles of Association.

79. The generic NCC's mission statement is, in effect, a summary of the relevant parts of the Memorandum and Articles of Association. There are two discernible differences:

• the middle clause of the main body of paragraph 3 of the Memorandum("to ensure that those who take decisions which will affect the consumer can have a balanced and authoritative view of the interests of consumers before them") is not included in the mission; but the point is made in the second indent of the mission statement. If anything the NCC may be underselling itself by not stressing the point

• the clause at 3f of the Memorandum and Articles of Association is omitted. We consider that if the NCC is to increase its influence and earn more income it may need to carry out more work commissioned by the DTI and other public bodies.
In summary there is no evidence of any significant divergence in the NCC's current Mission from its Memorandum and Articles of Association and from the objectives of Consumer Affairs Division and the DTI.

80. The NCC's three main types of strategic activity to implement its mission are also set out in Appendix D. So far as they go they contain nothing incompatible with the mission. The real test is whether the strategic priorities and accompanying objectives, and strategies and key actions and methods of implementation in the corporate plans of the NCC and WCC and comparable documents of the SCC and CEG represent the most efficient and effective ways of realising the mission. We address this issue in Part B of this report.

4.4 The structure of the National Consumer Council and CEG

81. The generic NCC comprises the National Consumer Council itself and two separate committees for Scotland and Wales, which act as the SCC and WCC. It is also the channel through which finance for the CEG is passed, though over which the NCC now has no influence, as evidenced by the recent 'ring fencing' of the CECG's 1994/95 grant-in-aid.

82. A number of alternatives to the current structure of the generic NCC are possible. We consider the main alternatives, and their value, to be:

- a single truly National Council with no Scottish and Welsh organisation; all our discussions in Scotland and Wales, and also, perhaps more interestingly, in England, point to the need for a distinct Scottish and Welsh voice. This is due to the distinctive socio-economic, geographic and cultural issues which are priorities in these two countries and, in Scotland, the separate legal and education systems. We also believe that:
  - the Scottish and Welsh influence would be greatly reduced if it came from a single national council rather than the specific SCC and WCC and their staff leading to a diminishing value for the consumers in those two nations; and
  - the greater emphasis on practical work carried out by the SCC and WCC, which is particularly valued in those nations given the relative lack of specific Scottish and Welsh organisations addressing consumer issues, would be lost within a generic national Council. The less well developed consumer networks in Scotland and Wales would as a consequence lose their current very practical and necessary support

- separate Councils for the three Countries; apart from the administrative and legal changes involved, this might imply a split in sponsor from the current single source of grant-in-aid from the DTI to separate grant-in-aid from the DTI, Scottish Office and Welsh Office. We see a number of potential difficulties in this situation:
the loss of co-ordinating role played by the Consumer Affairs Division of DTI for all main national industries' regulatory bodies (excepting water and rail) and particularly the co-ordination provided by CA2 of the funding of the NCC, CEG, NACAB and CAS

- the lack of a specific trade and industry or consumer focus in the SO and WO to sponsor separate bodies for those countries

- a break in the formal co-ordination and integration of the work and resourcing of the three Councils which has enabled them to develop over the past two years a more integrated and co-ordinated use of the resources which they receive from the DTI

- an inevitable increase in the administrative costs associated with the running of three completely separate organisations rather than the situation that currently exists in which certain costs are shared. The consequence would be less finance available for carrying out the true work of the Council[s]

- a specific English Consumer Council, perhaps with a regional organisation, alongside the Scottish and Welsh Consumer Councils, under a British Consumer Council; we can see no advantage in creating a separate English Consumer Council alongside the SCC and WCC as it would tend to duplicate closely a national consumer perspective due to the dominance of 'English' consumer issues at a national level. Indeed, the justification for the Scottish and Welsh Consumer Councils is that there are distinctive issues in those countries that cannot be adequately dealt with by the NCC. Furthermore, a separate English Consumer Council, alongside the SCC and WCC, under a National Council, would inevitably divert scarce resource from the Council's major consumer service processes to additional internal management and administration and meetings of the Councils.

The current structure enables specific Scottish and Welsh issues to be dealt with as thought necessary by the members of the two associate Councils in those countries. The current tripartite structure of the NCC provides for the overall integration of the Council's work through the corporate planning process and the regular Joint Corporate Management Team meetings. The potential also exists through the corporate plan and process of its preparation and annual review and roll forward. The potential also exists for the efficient provision of specialist skills and competencies from the generic Council to the two Associate Councils. This takes place in relation to financial management and some other support services such as payroll. It also occurs through the interlocking membership of various working parties which manage the research effort. Less formal relationships also exist between the consumer support and communications and campaigns staff of the three offices.

We recommend that the current tripartite structure, in which the SCC and WCC address relevant national (Scottish and Welsh) issues within the overall umbrella of the generic NCC, is the most appropriate structure for a National Consumer Council (Recommendation 8).
85. The CEG poses a somewhat different issue. It is an independent organisation with its own staff, albeit formally employed by the NCC, from whom it also receives support services. It is a membership organisation with a constituency of 32 member organisations, though its grant-in-aid has been channelled through the NCC and for 1994/95 has been 'ring fenced' from the grant-in-aid for the NCC.

86. Apart from the status quo, two main options are available for the CEG:

- incorporation within the NCC as a European affairs department
- complete independence of the NCC.

We now consider these.

87. The option to incorporate CEG into the NCC as the European arm of the body is one that merits attention as both organisations operate in the European arena. However, our understanding is that the NCC restricts its European activities to those that are essential in relation to specific work which it is carrying out under its strategic priorities and work programme and are of domestic relevance. It does not maintain either a wide watching brief of European issues or act as a generic voice on European developments of consequence to UK consumers. The intervention of the CEG is much broader as it also maintains a 'watching brief' for issues of concern to British consumers which might be developing in the European Union and the European Commission and addresses a far wider range of individual issues that the NCC does within its brief. To enable it to so do, the CEG has built a wide network of contacts in the Commission, the European Parliament and its Economic and Social Committee, BEUC and COFACE.

88. We consider that the CEG performs a valuable role for the British consumer in relation to the EU and EC. The CEG has as its single minded focus consumer interests in Europe and this determines all its work. Furthermore, the CEG is an independent membership organisation which represents its member organisations. It is not, therefore, appropriate for it to be incorporated within the NCC; indeed, its membership have expressed their view that they would not support such a move.

89. The membership have decided that the CEG should become completely independent of the NCC, subject to agreement of the terms and conditions of doing so and the resolution of various issues, including public accountability and employer status. This more formal separation of the CEG from the NCC is a move which, we understand, both the DTI and NCC support.

90. We recommend that the Department should continue to sponsor the CEG and continue to support its transition to a directly funded organisation independent of the NCC (Recommendation 9).
91. What is probably more important than the organisational aspects and the channelling of funding is the co-ordination and integration of work programmes of the NCC and CEG. A number of respondents to our enquiries in Stage I pointed to some overlap of activity between the NCC and CEG, for example, on international trade, CAP and deregulation. Our discussions both during Stages I and II of the review suggest, however, that the two organisations have co-ordinated their efforts, worked closely in deciding which organisation will do what and been complementary in those areas in which they have agreed to work. Increasingly, we consider that the NCC will need to take a European perspective in its work, as the EU develops. This must be planned for by the NCC in close conjunction with the CEG to ensure that their resources are used to best value and that each concentrates on the (different) things that each can do best. We understand that mechanisms are in place to enable this to occur.

4.5 Financing of the National Consumer Council and CEG

92. A discussion has been taking place over recent months about the financing of the Council, which is currently provided for almost exclusively by the DTI, with very much smaller specific contributions being made for specific pieces of work or publications by, amongst others, the Scottish Office, Welsh Office, DoH, MAFF, DSS and by local authorities and professional bodies such as the Law Society.

93. This discussion has taken place against a background of:

- the need for a reduction in the growth of overall Government expenditure and, in real terms, of the expenditure of the DTI and its Consumer Affairs Division

- the (reluctant) acceptance by the NCC of the need to generate supplementary, though not basic, income from sources other than the DTI, to enable them to increase the level of work which they carry out on their strategic priorities, and the Council's wish to be able to do so without a detrimental impact on the base funding its receives from the Department, and

- the maintenance of the Council's independence and objectivity whatever its sources of income.

94. To maintain the NCC's independence and objectivity, we consider that it is essential that its base funding continues to be provided by Government on the basis of the Council's current purpose and aims as set out in its Memorandum and Articles of Association. To do otherwise would, in all probability:

- require the Council to determine its strategic priorities and work programme in relation to the interests of those who are prepared to finance it rather than the needs of the consumer, particularly the inarticulate and disadvantaged - this is, to an extent, already the case with the SCC work programme
• undermine the independence and objectivity of the Council as it, of necessity, works to the particular concerns and remits of its clients

• lead to the Council scaling down (or ceasing altogether) its work in support of consumer organisations due to the difficulty of receiving alternative funding for this work

• reduce the focus on its general communications, advocacy and campaigning work. For example, under this heading it provides representatives or individuals on other organisations' management Councils/Boards and specialist Panels/Committees/Forums, and these are usually non-paid positions. Alternative sources of finance other than the DTI's grant-in-aid are unlikely to be available.

95. It will be important for the DTI and the NCC and CEG to be quite clear about what work will and what will not funded by the DTI's base grant-in-aid. This will require an annual discussion, within the context of the Council's corporate plan, of the funding of the proposed work programme. It will also require the development of a more 'contractual' relationship between the DTI and the Council, setting out what level of support the DTI is prepared to provide for the NCC and CEG in respect of what level of activity. This is explored in more detail in section 7 of this report.

96. Turning to income generation, a number of opportunities may enable additional money to be earned. The arguments have already been rehearsed in detail over past months and we restrict ourselves to adding information gained through our Stage 1 discussions:

• commissioned remits - an increasing number of Government departments and other statutory bodies, including the European Commission, are commissioning the NCC, SCC, WCC and CEG to carry out specific work on their behalf; on occasion this is generating new income. This work, for example that was done for the DOH and the Scottish and Welsh Offices, is seen as being extremely good value for money and the Council are a candidate for further work. A more active marketing of the NCC's capabilities and a more commercial approach to such work may lead to greater opportunities. Indications are that the level of funding available through this source will by no means replace the need for the NCC and CEG to be primarily and substantially funded through DTI grant-in-aid. This work and income should be in addition to the grant-in-aid funded work and financing not a replacement for it.
• consultancy advice - the NCC have considerable experience and knowledge in the general consumer field and in that associated with the production and practical implementation of Citizens' Charters and related initiatives. A best practice/action guide/advisory service, and a 'consumer audit' service, could be a source of income as public bodies grapple with making Charters a practical and effective means of providing service guarantees to their customers. We understand that the opportunities for pursuing such a market are being actively discussed with a potential partner for a joint venture to be undertaken within the framework of an NCC wholly owned subsidiary trading company

• publications - a majority of the Council's publications are in the format of either short information notes, working and policy papers or detailed and weighty publications targeted at those whom they wish to influence. There is little opportunity to generate significant income from such publications, though covering direct costs should be an aim where the publication can be sold to a wider audience - such as with the Charter Checklist

• levies on producers - the Gas Consumers Council, for example, is funded by a levy on the industry and such an arrangement might be extended to the NCC. Aside from technical difficulties in deciding the funding base and regime, we consider that such an arrangement would be politically unacceptable and would not be well received by industry. It would also break the current funding link between all consumers and the NCC which is made by their funding through the general tax base; and,

• membership fees - the CEG as a membership organisation has the opportunity to generate income from its members as a contribution to the services which it provides for them. Our discussions with the Secretary of the CEG suggests that this source of income is at best limited given the nature of many of the member organisations. Serious consideration should, however, be given to introducing a membership fee to at least cover costs of materials and meetings.

97. Our view, based on discussions with NCC staff, CEG staff, and those organisations consulted in Stage I of the review, is that these income generation opportunities are unlikely to generate significant additional resources in the short term. Their potential in the medium to long term may be more significant though without any market research we are unable to give a definitive view. Evidence from our discussions with those involved with the NCC suggest that a market may exist for the consultancy and
commissioned remits – indeed in the latter case a number of Government departments are actively considering using the NCC for more of their research contracts. The contribution of publications is likely to be insignificant unless the NCC were to become a direct competitor to the CA. This would, however, require it to have a different purpose and focus which we do not believe would be beneficial.

98. In the event that the NCC does decide to pursue any of these income generation opportunities, we point to a number of implications:

- the need to increase the marketing activities and competencies of the NCC, with the prime focus being the further exploitation of the Council's independence, objectivity and authority as its key selling point

- the need to establish a separate trading company with its own Board, management and staff, though with a reporting relationship to the NCC which will act as the 'holding company' for the trading company. The recent lessons regarding the financial accountabilities difficulties due to the lack of specificity and clarity of the relationship between the Sports Council and its trading company need to be heeded

- all income generation opportunities should be extremely carefully screened to ensure that they do not compromise the Council's independence and objectivity and build upon rather than undermine its authority. The Council's guidelines and criteria on income generation should provide a sufficient framework for making decisions on income generation opportunities.

The financial and management accounting implications of introducing a financial regime which includes anything other than an insignificant amount of income generation are set out in section 9 in Part B of this report.

99. These income generation opportunities and activities must not detract or direct resource away from the Council's role, core functions and strategic priorities, as set out in its Memorandum and its corporate plan. Generated income should be treated so as to enable the NCC and CEG to resource more work in respect of their legally defined role, their core functions and strategic priorities. It is extremely unlikely that such generated income will be of such a level that it would enable the NCC or the CEG to expand outside the core functions and strategic priorities; indeed, the NCC, SCC and WCC and the CEG would not want to do so even if the funding were to be available.

100. We recommend that the DTI should continue to pay grant-in-aid to the NCC and CEG at a level to enable them to carry out their core functions as defined in their aims and objectives and expanded upon in their corporate plans and work programmes (Recommendation 10). The level of that funding will, of necessity, depend upon the resources available to the DTI, the performance across time of the NCC and CEG and competing claims for funding.
PART B: Financial and Performance Review
5. THE NATIONAL CONSUMER COUNCIL AND CONSUMERS IN EUROPE GROUP

5.1 The Nature Of The Organisations

101. The National Consumer Council [NCC] and Consumers in Europe Group [CEG] have been closely associated for a number of the years. This has principally been due to the funding channel through which the DTI has provided grant-in-aid to the two groups. The two organisations are, however, separate bodies with separate constitutions and members.

102. The NCC is a company limited by guarantee which has its own Council and Associate Councils for Scotland and Wales, all three of which are separately appointed by the President of the Board of Trade. It is primarily funded by the DTI through grant-in-aid with some additional income generated through specific contracts which they have with other bodies and through sales of publications. Such sums are relatively minor compared to the main source of funding from the DTI. In total, at the time of writing, the generic NCC has the equivalent of 58 full time staff, who are split between 42 at the NCC, 9 in the SCC and 7 in the WCC. The establishment allows for a maximum of 64.

103. The CEG is a very much smaller organisation, comprising the equivalent of 4.5 full time staff, which is also primarily funded by the DTI. Its 'Council' comprises representatives of its 32 member organisations; it includes no appointees of the President. Whilst the CEG is currently financed through the NCC, with a ring-fenced grant-in-aid for 1994/95, it intends to move to complete independence and autonomy by 1 April 1995. This will require a number of legal and organisational changes which the CEG and DTI are currently discussing. It will also require clarification of the relationship between the CEG and the NCC in respect of a number of legal and organisational changes which the CEG, NCC and the DTI are discussing.

104. The implication of this situation is that our review of the generic NCC and CEG needs to be tempered by what is appropriate for organisations of their size and nature. In particular, what we recommend in the following sections as being appropriate, in principal, will need to be considered and then implemented in such a way that it does not impose undue administrative burdens on either body. The sophistication with which work, resources and finances are managed by the generic NCC will inevitably be somewhat different from the way in which the same recommendations and principles will need to be addressed by the CEG. For example, a further move towards cost centre (Departmental) and project based resource and financial management whilst valuable for the NCC would not be appropriate in the CEG.
5.2 The Context For The Review

105. This financial and performance review of the NCC and CEG does not take place in a vacuum. A number of important developments needed to be borne in mind whilst undertaking the review:

- a move by Government departments to establish a more strategic performance based relationship with bodies which they fund, be they Agencies or NDPBs, in place of a relationship based on close operational monitoring. This implies a shift from a relationship based on detailed reporting of activities and expenditures, together with tight controls over manpower and other resources, to a relationship based on an agreed corporate plan and annual work programmes which will be delivered in return for a specified level of 'grant-in-aid'. The nature of the monitoring relationship consequently shifts to performance reporting against strategic objectives and performance indicators;

- the levels and sources of funding for the NCC and CEG. Our stage I report and Part A of this report argue that the DTI should remain the principal source of the NCC's and CEG's funding in pursuit of its aims and objectives. The level of this funding cannot be guaranteed and may be subject to variation in future years. The DTI, in common with all other Government departments, is looking to publicly funded bodies to increase the level of funding which they receive from the generation of income. Our review of the discussions between the Department and the NCC and CEG during the second half of 1993 suggest that the opportunity for generating income will be limited and will take some time to deliver. This uncertainty suggests that the NCC and CEG will need to develop management processes and systems which will enable them to respond flexibly to their resource and financial situation;

- the development within the generic NCC over the past three years of a more robust management approach based on the definition of the organisations' strategic priorities, work programmes and outputs. This has included the introduction of a more structured approach to the internal management of staff and work and is now being supported by developments to the management and financial information systems; and,

- a changing market context in which a number of services which were originally provided by the public sector, with the democratic and public accountabilities involved, are being moved to the private sector or into public trading organisations. Alongside this, changes are being made in the regulatory framework within which private sector organisations operate in an attempt to enable them to function in a less constrained and more entrepreneurial manner. This impacts on the content of the NCC's and CEG's work.
106. This context does not remove or reduce the need for the NCC and CEG to provide hard evidence of their value for money for the grant-in-aid which they receive. What it does mean, is that the way in which the two organisations manage themselves and the way in which they report to the DTI will need to change. These issues are addressed in sections 7, 8 and 9 following a review of the generic NCC's and CEG's performance since 1988.
6. PERFORMANCE OF THE NCC AND CEG

6.1 Performance Against Aim and Objectives

107. The performance of the NCC and CEG against their aims and objectives has, to an extent, been considered during Stage I of this review through our discussions with a range of the very many organisations with whom they have contact. The widely held view was that the Council was regarded as a body which represented the interests of consumers in an effective manner. Many of the organisations contacted held argued that they and the consumer would be worse off without the NCC and that potential 'alternative' bodies which already exist could not fill the gap in such an effective manner.

108. Our discussions in Stage I and review of the outputs of the NCC, SCC, WCC and CEG as part of our work in Stage III have given us an indication of the performance of the NCC in respect of their aims as set out in the corporate plans and other documents. In most cases these indications are qualitative judgements based on evidence, submitted by the organisations themselves, of activities and physical outputs rather than final outcomes.

109. The very nature of the NCC's work makes it extremely difficult to identify and validate the impacts and outcomes of their work as they operate as one influence in a complex decision making theatre in which many organisations are involved and where decisions are often made at a considerable temporal remove from the NCC's actions. Furthermore, a decision which appears to be against the consumer interest as defined by the NCC or CEG does not necessarily mean that they have been unsuccessful. If they have presented a co-ordinated and representative consumer viewpoint they could be judged as having been successful.

i. NCC

110. Our review of their activities and outputs lead us to the following subjective conclusions in respect of each of the aims of the generic NCC:

- promoting action to further and safeguard the interest of consumers, including the inarticulate and disadvantaged consumer;

111. This aim is in many ways a 'catch all' aim under which most of the NCC's work could fall. A particular aspect of their work in relation to this aim is their support for other consumer groups and bodies. These activities have been increasing annually, though there is no systematic information to illustrate this trend aside from a list of organisations supported. The following are examples, by no means exhaustive, of the generic NCC's involvement in supporting consumer organisations and representative bodies:
support to a growing number of consumer bodies, including:
- Advice Services Alliance
- Money Advice Liaison Group
- County Courts Advisors Group
- National Consumer Education Group
- Patients' Forum
- Public Utilities Access Forum
- Action for Governors Information and Training.

It should be noted that the NCc is discussing whether it should provide support to any more bodies as to do so would spread the available resources for this support too thinly;

- creation of consumer groups for bus users in South Wales and for DSS clients in various areas of Wales, and the management of a project for the Welsh Office in which users assessed the adequacy of information produced on community care;

- creation of Money Advice Scotland and the Sheriff Court Users Group and production of leaflets on consumer rights in health care, dental care and housing;

- support to the Consumer Congress, Consumer Network and Consumer Forum; and,

- a project with the Consumers' Association to develop support services for other smaller consumer organisations. This is having to be curtailed due to the reduction in resources for 1994/95.

112. Through these activities the NCC enables consumers to develop and articulate their views, which are then used by the NCC in their policy advice and campaigning activities. This close contact with specific and specialist consumer organisations is particularly important in enabling the NCC to play its coordinating and representative role on behalf of all consumers in relation to public and private sector producers of services and goods and those organisations which regulate and control them. These supported organisations also provide direct support to individuals, particularly the inarticulate and disadvantaged, an area of activity from which the generic NCC is itself excluded.

- representing the views of consumers at all levels of government and industry on any issue of concern, including existing laws and proposed legislation

113. The NCC is being increasingly consulted by Government as a source of advice on consumer interests - over 162 requests for responses on formal consultation documents were received by the NCC in the first nine months of 1993/94, of which 51 were responded to. These include consultations of a general nature and
those which are specific to the NCC. The balance is not known. Both SCC and WCC have also experienced an increase in the number of formal requests for submissions over the past two years. Areas covered include rail privatisation, deregulation, the BBC, legal aid, food biotechnology and local government re-organisation. It is thought, though no systematic information exists to support the claim, that informal consultation and dialogue is also increasing.

114. Since the 1988 review, a number of Departments have requested that the NCC, SCC and WCC carry out research remits on their behalf. These has ranged from the DTI's major remits on international trade the Common Agricultural Policy and Consulting Consumers in the NHS through to smaller scale pieces of work on dietary health for the Welsh Health Promotion Board and NHS Wales.

115. Our discussions with those in central government and industry indicate that, despite a small number [4 or 5 out of 70 submissions made in Stage I] of specific occasions when there were disagreements, due to misinterpretation of information or lack of knowledge of particular aspects about the issue, the NCC's contribution is sought and valued. This appears to be true even on those occasions, which are inevitable, when the NCC's views are in conflict with those of the organisations they are seeking to inform and influence.

- representing the consumer on governmental bodies and other relevant associations

116. The NCC, SCC and WCC have been invited to provide representation on a very wide range of governmental and public bodies which have a potential consumer impact. Again, there is no systematic information available on the time input into such representation, though the view of the Directors and senior staff is that this is a growth activity. The Annual Reports set out the range of the Councils' external representation, which includes:

- members' increasing presence on Governmental bodies as consumer advocates; for example, Prime Ministers Citizens Charter Group, BBC General Advisory Committee, Scottish Food Strategy Group, Local Government Commission, DTI's Energy Panel, ITC Advertising Advisory Committee, Health Promotion Wales, Ofgem Wales Committee, RPI Advisory Committee, Meat and Livestock Commission Consumers' Committee, BSI consumer policy committee; and,

- staff membership of bodies, including: MAFF Codex Alimentarius Commission, Legal Aid Board, DoH Healthcare Advisory Group, UK Ecolabelling Board, NACAB, DTI committee on non-advertising environmental claims, Libraries and Information Services Council, DoE local environmental charter working party, Public utilities Access Forum, Telecommunications Forum, National Food Alliance, Credit Industry Fraud Avoidance
System, Association of British Insurers monitoring committee, ITC Advisory Committee, Scottish Food Strategy Groups.

117. Again, a very large majority [only one organisation was doubtful] of those with whom we spoke during our Stage I work valued the input made by the NCC representatives of their committees and working groups. This was despite the fact that there were on occasions differences of viewpoint and different interpretations of information between the NCC and the organisation who invited their participation.

- *promoting consumer representation in the nationalised industries and privatised utilities*

118. The work of the NCC in the nationalised utilities has focused around the preparation, publication and dissemination of major research report, "Paying the Price", which looked at the domestic consumer issues in the water, gas, electricity and telephone services. Aside from the basic research, this has also involved the NCC, SCC and WCC in a number of conferences, seminars, discussions with the regulators and DTI, and the production of a series of policy papers in response to consultation requests from the nationalised industries' regulators.

119. A particular activity which the NCC has provided to the NICCs and the regulatory organisations has been their support for the NICC Chairmen's and Chief Officers' Group.

120. The SCC has also been particularly active in the debate the representation of consumers within the structure being created for the water services as part of local government re-organisation in Scotland. The SCC is lobbying actively on the Local Government etc (Scotland) Bill.

121. We noted in our Stage I report the need for the generic NCC and the NICCs to define more clearly their respective roles and responsibilities in respect of consumer interests in the public utilities. As reiterated in section 4.3 we consider that the NCC's role needs slight redefinition in this respect.

- *commenting on the adequacy and availability of consumer advice services*

122. This is an area in which it is less easy to see any substantive output from the NCC. Its major role is in the provision of support and assistance to consumer advice services, particularly through the its long term support for Advice Services Alliance, and its work with NACAB. More directly, the NCC and the SCC and WCC have been active in launching consumer advice services, such as the previously mentioned Money Advice Scotland and the Sheriff Court Users' Group, to fill major gap in the advice market which could not be dealt with by the NACAB or other existing organisations.
123. In respect of physical outputs, the NCC has also researched and published a Directory of Consumer Advice Services in the European Community which is available in a range of languages.

124. The visibility of the NCC's work in this area makes it difficult to make any assessment, even subjective, of their performance. It is an area of activity in which we questioned the value of the NCC's input in our Stage I report. With the benefit of some additional discussions that we have subsequently had, we consider that the NCC does have a continuing role to play in this area. The outputs do, however, need to be more visible and formal. This needs to be reflected in their corporate and strategic planning and their work planning and monitoring.

- advising ministers on consumer issues

125. As noted above, the NCC and its associate Councils are being increasingly consulted by Government departments as a valued source of the consumer viewpoint on legislative and regulatory proposals. This is primarily through the vehicle of submissions on consultation documents in response to formal requests for a consumer perspective. These consultations are both specific to the NCC and as part of wider consultations. The balance between them is not known. It also includes, when requested by ministers, informal briefings and discussions on issues of particular concern.

- publicising information of concern to consumers and advising on consumer issues

126. The publishing, including press, activities of the NCC and its associate Councils are an important aspect of representing and co-ordinating the consumer interest. It is an area in which the Council has been very active though its output has purposefully fallen over recent years, due to it taking a more targeted and measured approach to its activities. As an indication of the scale of activity, the NCC in London has produced:

- 32 publications in nine months of 1993/94;
- 57 press mailing with an increasing level of mentions in the press, particularly the quality nationals;
- a higher profile in the media;
- responded to some 200 press queries per week;

127. In addition, both the SCC and the WCC have their own publishing programmes targeted on local requirements - including publication in the Welsh language. These have tended to focus on short policy papers and practical materials. However, there are notable exceptions - the WCC's 'In Deep Water' and 'Buses for People', the SCC's forthcoming 'Poor and Paying For It' and 'Your Rights and Responsibilities'.
ii. CEG

128. The CEG has somewhat different aims in respect of which we consider, on the basis of the submissions made to us during Stage I and our analysis of its work during Stage III, that its output has been considerable for such a small body. In respect of each of its four aims, see Appendix E, we find:

   • carry out research on the effects of EU policies and proposals on UK consumers

129. The CEG has produced research papers and other documents addressing some 150 of the topics which are on the Commission's programme of actions leading to the completion of the single European market and its three year consumer policy (1990-92). It is now turning its focus to the areas that will be included in the new year action plan on consumer policy in the EC. The research is either carried out by the CEG's in-house research staff (some 2.5 equivalent staff of the total 4.5) or through small research commissions primarily from the EC. A particular focus of their work over the past has been on the Common Agricultural Policy and others EC proposals relating to agriculture and food production. This may not be the case in the future.

130. The opinion of those who have commented to us on the CEG's research papers is positive. They are seen as well researched and as making relevant proposals in respect of the UK consumer interest. The EC has during the past two years found the CEG's work to be of sufficient worth to commission it to run a conference and prepare a number of information publications. In 1992/93, this provided an additional £50 000, gross though very little net, to the DTT's £175 000 grant-in-aid.

   • enable its members to reach collective views on EU matters affecting them

131. Membership of the CEG is rising, though it is currently not pursuing growth as it cannot fund the servicing of its member organisations from within its current grant-in-aid. The recent growth suggests that the member groups finding the CEG of value, though as membership is at no financial charge. Members to spend considerable time in carrying out research, preparing policy drafts, and discussing submissions on behalf of the CEG.

132. CEG prepares and supplies members with internal bulletins and a regular newsletter. It also issues policy papers, briefing notes and discussion documents to members. In addition, the Group members meetings meet four times an year and the five working groups, which meet as and when required, discuss, agree and review policy and major research reports and publications.
• represent those views to Government, the Commission, the UK and European Parliaments, the Economic and Social Committee and others

133. The CEG is very active in representing the views of the UK consumer to a wide range of bodies through written and verbal means. Regular discussions are held with officials in the EC Consumer Policy Service and other directorates. CEG provides a valued briefing service for UK’s MEPs maintaining close contact with those who sit on the Committee on the Environment and Consumer Protection and the Inter-group on consumer affairs. This support comprises not solely information on the implications of EC and European Parliament proposals; MEPs are also assisted in drafting amendments, draft motions and questions for use in the parliament. Similar support is provided to the UK’s members of the Economic and Social Committee. No systematic information is kept on such activities though a record is kept of formal requests for submissions, as part of the CEG’s internal work management processes.

134. CEG provides a service to MPs and members of the House of Lords in respect of their discussions on draft EC legislation, particularly through the Select Committees. CEG is also consulted by UK civil servants dealing with EC matters as one source of information and advice on the consumer implications of EC draft legislation. The CEG is being increasingly used through formal consultation on a wide range of EC matters and through regular contacts with officials in the DTI and MAFF. The CEG does not at present keep detailed information on the number, level and outputs of such meetings.

• brief UK consumer members of EU advisory committees

135. The main activity is through briefing the UK’s representatives on the Commission’s Consumer Consultative Council, its Agricultural, Food and Veterinary Medicinal Products Advisory Committees through the UK’s representatives who are ex-officio members of the CEG.

6.2 Financial Performance

136. The table opposite sets out an analysis of the financial performance of the generic NCC, including the CEG, over the past five years, 1987/88 to 1993/94, based on information extracted from their published company accounts.

137. During this period key aspects of their financial performance that can be derived are:

• a cumulative annual growth in grant-in-aid, of 9% per annum, which is significantly above the rate of inflation, indicating a real growth in budget. This trend will be reversed with the 15% overall budget reduction for 1994/95;
a small though gradual increase in income generated from sources other than the grant-in-aid to a position where it now represents some 7.5% of the total income - this has been achieved without any real focus on generating non-grant-in-aid income [see section 4.3 paragraph 68];

a very stable pattern of expenditure across the various budget heads with the fixed costs, including the staffing complement, consuming the same proportion of income each year. Salaries and pension costs have increased from 48% to 53% of total expenditure, due to some 12% additional staff being allowed by the DTI. Commissioned research has shown a gradual downward trend from 17% to 14% and will fall significantly during 1994/95. Nonetheless, the NCC expends some 70% of its resources in funding staff. This pattern of resource use and its relative stability is a situation which is not unusual for small organisations with a relatively straightforward business structure and service characteristics;

small surpluses of funds have been the norm, although there were small deficits during 1988/89 and 1989/90. Control has been within tight limits [some 3% of budget]. Their control of budget is illustrated in Table 1. These figures demonstrate the Council's ability to control costs and expenditure against budget in an organisation which has a fair degree of reactive work and needs flexibility;

138. The total spend on research, perhaps the basic activity of the NCC, accounts according to published data for about 30% of the expenditure of the NCC whilst management and administration account for 27% of the total. Our inspection of the staffing roles and responsibilities within the Council makes us extremely suspicious of the management and administration figure on two counts:

- managers in the NCC, SCC, WCC and CEG all play a productive role in the organisations' primary service processes though all their time and costs appears to be accounted for as management; and,

- the administration figure appears to be calculated by subtracting the cost of management and policy research from the overall costs and calling the rest administration.

Such a definition is by no means appropriate and badly skews the image given of the Council and CEG. Included in the 'administration' are necessary consumer support and communications and campaigning activities. As we suggest below the overall expenditure on administration is more likely to be of the order of 12 to 15%, based on actual staff roles and responsibilities - themselves defined quite broadly.
139. This financial performance information is useful in assessing the Council's ability to control their income and costs. The above figures, in particular the close control on expenditure against budget, and our review of the financial management processes [see section 9.5] lead us to conclude that the NCC and CEG manage their financial performance satisfactorily; this is a view supported by the DTI's own internal auditors and the NCC's external auditors.

140. This type of financial information would, however, become much more powerful if it were presented in the form of performance indicators monitored against targets as part of the corporate plan and annual work programmes. A number of options are available for the Council in setting financial performance targets:

- using significant categories of income, for example:
  - non grant-in-aid income, in the form of a target of a minimum of 7.5% in year 1 rising to 20% in three years time;
  - income from Departments and public bodies other than the DTI, such as, a target of 15% of the NCC (London) income, and 20% of the two associate Councils income by 1996/97;

- targeting certain categories of cost, for example:
  - a minimum of 40% of total income should be spent on policy research and development;
  - administrative costs should not exceed 20% of total income;

- per capita statement of turnover or costs, for example:
  - income per head should exceed £ 40 000;

- unit cost data for outputs, for example
  - cost per publication
  - cost per press mention

It is usual for any organisation to use a range of such indicators and not to rely on a single type of, or, indeed, a single performance indicator and target.

141. The later two types of indicators are not considered as of great value for a non-trading organisation. They are susceptible to behaviour that will 'improve' the indicators though not necessarily the performance of the organisation. Indeed, such indicators can be manipulated so that targets are attained, though the benefit to the organisation may be negative - for example, by splitting publications into a series of smaller publications or using cheaper production methods, which might reduce their effectiveness, though increases the performance against target. Such indicators may, despite this, be useful for managers in keeping control of resources against work plan and resource allocations.
142. We recommend that the NCC, including the CEG, set itself targets of the first two types as part of its corporate planning process and annual work planning (Recommendation 11). Indicators and targets of the other two types may be useful for internal management of the work plan though we do not see them as part of the external performance information provided to sponsors.

143. Once identified, the selected indicators would need to remain constant over time so that they can be compared on an historic basis. They do, however, provide a simple way of alerting management to potentially damaging trends in financial performance so that they can take rectifying actions.

6.3 Performance Against Current Performance Indicators

144. Measuring the level of output in an organisation such as the NCC is, as noted above, not a straightforward task. As we explain in section 8 the most relevant measures of management performance (and hence, targets) are a mix of those that focus on strategic priorities and those that are appropriate to a project environment.

145. In the course of preparing the corporate plan, the NCC have sought to put in place a series of performance measures and targets. These are now being piloted by the Councils. The current measures are connected to internal work processes which tell very little about what has actually been achieved at a strategic. The NCC are substantially more advanced than the SCC, WCC and CEG in their development of performance indicators, though the two associate Councils are also now trying to identify appropriate strategic indicators.

146. The NCC's current portfolio of performance indicators is structured by department and includes:

   *Directorate*
   
   - number of meetings held with Ministers

   *Policy development*
   
   - number of policy documents produced
   - number of consultation documents responded to

   *Consumer Support*
   
   - number of consumer surveys carried out
   - number of information, training and networking events held
Communications and campaigns

- media mentions per press release by type of media
- publications by type and strategic priority
- number of meaningful contacts with parliamentarians and their researchers/advisors
- number of enquiries from the media
- number of letters in the press
- number of speeches made

147. For each of these measures there is a statement of:

- purpose and what it tells you;
- definition of the term;
- source of data; and,
- responsibility for collection and reporting.

However, there is no indication of the frequency of counts or their timing. There is little doubt in our minds that this portfolio of indicators does have meaning to Departmental Heads and the corporate management team, but only because they bring to their interpretation an understanding of what is really going on. On their own the indicators mean very little and it is difficult to interpret what they mean.

148. To enable us to obtain a feel for how the performance of the NCC might have looked measured in terms of these indicators, we asked the Heads of Department to assemble, where they could, an historic data series for selected indicators over the period from 1988 to 1993. The outputs of this analyses suggested that:

i. Policy Development

The output of publications has been flat over the period (with some suggestion of a peak in the middle years) but substantially above the level planned for the 1994/95 year.

ii. Consumer support

The NCC listed the organisations supported in each year from 1988 to 1993. This series suggests a steady rise from 7 to 12 organisations who receive substantial support. No further increase in proposed for 1994/95.

iii. Communications and campaigns

A number of series of data were prepared for press releases, telephone queries, interviews arranged and media mentions, not all of which could be prepared for the full period. The trend is that numbers fell over the period, although the number of media mentions moves erratically throughout the period.
iv. Administration

No data were available to prepare an appropriate indicator.

149. Allied to the raw data on financial performance (see section 6.2) these numerical indicators might be interpreted as meaning a broadly stable output in the face of a steadily increasing total grant-in-aid. In other words, that all of the increase in NCC expenditure over the period had been dissipated in rising costs.

150. We doubt, however, whether such an interpretation is any sort of representation of the underlying reality of the situation. For example, the:

- communications and campaigns department has been striving to reduce its numerical outputs in favour of higher quality: a smaller number of better written well targeted press releases, media mentions in the influential press, meetings with parliamentarians and researchers/advisors of real influence, and so on;

- consumer support are now aiming to focus their resources on a small number of organisations with whom they can network and partner most efficiently and effectively rather than pursuing expansion for the sake of it;

- policy department following a period of significant publication is now cutting back its major written outputs in favour of more focused and directed documents which address specific topics of interest for specific target audiences.

151. Our conclusion is clear. Adopting these internal process based indicators, however useful an aid they are to internal management, are likely to give any outsider a misleading picture of output and value. In a project environment where all three principal departments must contribute both sequentially and in parallel to the delivery of internal and external outputs, project based outputs indicators must be deployed. Such measures should have five characteristics:

- they relate to specific strategic policy priorities;
- they are defined in terms of external outcomes;
- the plan for delivery of an external outcome is the target;
- performance is measured in terms of variance from the plan for delivery of the outcome; and,
- they are three dimensional since variances are assessed in terms of quality, time and costs.

152. From the DTI's point of view, we are sure that a portfolio of output indicators, linked to the strategic policy priorities and the priorities of the two so-called 'implementation' departments, offers the prospect of a more fruitful strategic management dialogue with the generic NCC. This could be structured around:
• an assessment of performance based on the delivery of outputs against a timed, costed and quality indicators and targets; and,

• an analysis of planned and actual expenditure by desired outcome.

An illustrative example of the type of planning and reporting schedule that might be used for larger projects and activities is set out opposite.

153. We recommend the use of project management schedules as part of the NCC's internal management process (Recommendation 12). Where appropriate, that is on larger discrete pieces of work, they should also be used by the CEG. They should also provide information to feed into the regular strategic management reports of the NCC and the CEG to the DTI recommended in section 7.5 (ix) of this report.

6.4 Opportunities For Improvements In Efficiency

154. Whilst working in the NCC and CEG we have identified a number of areas in which there may be improvements for efficiency. These are not the basis of detailed work, rather impressions based on our wider experience of organisations.

155. The level of administrative support in the generic NCC [including the CEG] as reported in their Annual Report suggests that, in 1992/93, some 30, or 40%, of the 67.5 staff were designated as 'administration and secretarial'. This is a very high figure. Indeed, it is so high as to cause us to doubt its reliability; in particular, we question which staff it might contain. We understand that it included substantial elements of what are now the Consumer Support and Communications and Campaigns Departments.

156. Inspection of the staffing structures suggests that the administrative staff, excluding secretaries and typists who are discussed below, are:

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<th>Full time</th>
<th>Part time</th>
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<tr>
<td>Administration &amp; finance</td>
<td>6</td>
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<td>Directorate</td>
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<td>Communications &amp; campaigns</td>
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In the SCC there are one and a half full time financial and administrative officers, whilst the WCC also employs two and a half full time administrative and financial support officers. This suggests a current administrative staffing of the full time equivalent of 10 staff out of 67.5, or about 15%. Given that this figure also includes the administrative work involved in servicing three Councils and a number of Sub-Committees and working groups, the finance staff, and receptionist/telephonist, and that they are spread across the three locations, we do not consider it an excessively high figure.
157. However, we note with some concern that in the NCC's offices in London there are 10 full time and one part-time employees who are called Personal Secretaries or typists. Their location is:

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<tr>
<td>Directorate</td>
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<td>Policy</td>
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<td>Consumer support</td>
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<td>Communications &amp; campaigns</td>
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<td>Administration &amp; finance</td>
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<td><strong>Total</strong></td>
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This is in an organisation with only the equivalent of 45 full time employees - a 1:4 ratio. Without having undertaken a detailed review of their role, responsibilities and activities this strikes us as a very high level of secretarial support for a policy and research based organisation. We note with interest that there is a half time Personal Secretary in the WCC, whilst the Director and Chairman of the SCC share a Personal Secretary. CEG has no personal secretaries or typists.

158. A final area in which we consider that there may be further scope for efficiencies could be in the frequency of Council meetings. At present these vary from the 6 times a year of the WCC to the, recently reduced level of, 8 times a year of the SCC and NCC. The levels of savings that would be produced by having 6 meetings per annum of each Council would, however, be relatively insignificant given the contribution made by the members in their various roles within and for the generic NCC. CEG meetings are already only held four times a year and give no scope of savings.

159. Other areas in which there may be opportunities for efficiency savings, depending on the comparative value and costs of the NCC's internal services as opposed to those of the market, are:

- research contracts;
- support services; and,
- publishing.

These opportunities are discussed further in section 10 on the sourcing of services where we recommend that serious consideration be given to the potential benefits of contracting out these service areas, in part or fully.

160. A review of information relating to the leases of the properties occupied by the generic NCC suggests that there exists no opportunity for efficiency improvements in that area given the lease conditions. This assessment confirms that made by the NCC's own property advisors.
7. CORPORATE AND STRATEGIC PLANNING

7.1 Corporate Planning Processes and Practices

i. background

161. The introduction of corporate and strategic planning into the generic NCC and CEG was required by the DTI in late 1992. This was in response to the introduction by the Cabinet Office (OMCS) and HM Treasury of new guidance on the management of NDPBs. This guidance replaced the previous guidance under which the DTI and its grant-in-aid bodies, including the NCC and CEG, had operated to that date and which had been the basis of the 1988 policy review of the NCC and CEG.

162. At the same time that the DTI and HMT were pressing for a more corporate and strategic approach to the management of NDPBs, the generic NCC were undertaking a major review of their management approach, processes and systems. From autumn 1992 to summer 1993 the NCC, SCC and WCC undertook a significant corporate planning exercise. This resulted in the NCC and WCC corporate plans, produced in June and February 1993 respectively. A popular version of the NCC plan was later published in autumn 1993.

163. The SCC plan did not proceed beyond draft stage due to the extended absence of a number of senior staff. The recently produced work programme for the Scottish Consumer Council for 1994/95 does set out a strategic framework for the identification of specific projects and activities.

164. The CEG had, and continues to have, serious misgivings about the value and practicalities of an organisation of their size and nature producing a fully blown corporate plan. Following discussions with the DTI it was agreed that the CEG could prepare a statement of its aims and objectives, strategies to meet them and performance targets which could be incorporated into the generic NCC as an annex.

165. A generic corporate plan incorporating the NCC, SCC, WCC and CEG, which the Department had requested was not produced following discussions with the DTI.

ii. interpretation

166. Our review of the process by which the corporate plans were prepared - the two published plans and other management documents - indicates that many of the elements required by HM Treasury in their guidance were present though not necessarily in such a systematic manner as is required. Our assessment of the current situation, against the HM Treasury guidance, is set out below.
1. *Identify those features of the environment which determine how the organisation can best meet its aims*

a. *Aims and objectives*

167. The NCC and WCC plans both set out the mission and aims of the organisation, based on the Memorandum and Articles of Association. Both plans also set out a number of criteria which will be used in identifying the strategic priorities and work programmes of the NCC and WCC. Whilst the precise wording of these criteria varies, and the Welsh criteria focus specifically on issues of concern to consumers in Wales as would be expected, the criteria are substantially the same.

168. The SCC Annual Reports and the draft 1994/95 work programme between them identify the Council’s aims and objectives, and the criteria which will be used in deciding strategic work priorities. These are again similar to those used by the NCC and WCC, though with a particular Scottish flavour.

169. The CEG also sets out in its Annual Report and a recently published document, ‘About the CEG’, its aims and a number of areas in which it will work, though no apparent reasoning for selecting those particular areas is offered. A number of other internal CEG documents do, however, set out a criteria that are used in setting work programme priorities.

b. *Environmental influences*

170. All three Councils and the CEG use a number of common mechanisms for sensing their external environment. These are:

- the consumer networks which the three Councils maintain (Consumer Congress (NCC), Consumer Network (SCC) and Consumer Forum (WCC)) and through the various links that CEG has to European consumer groups such as BEUC and COFACE;

- their policy development staff’s knowledge of the market and consumer concerns in their areas of expertise and the networks which they have through sitting on various bodies, committees and working groups;

- the members of the three Councils (NCC, SCC and WCC) and the representatives on the CEG Members Group; and,

- close working relationships with OFT and NACAB/CA and the NICCs.

In addition, the NCC undertakes an annual Consumer Trends survey which seeks to identify the current concerns of consumers in a market sector considered to be a priority. The SCC and WCC also carry out similar smaller scale surveys through their networks of contacts.
171. As an example of the impact of this sensing, the SCC have recently dropped 'European Affairs' as one of their strategic policy areas and added 'Food and Diet' as a new area as a result of changes in the external environment in which they operate.

2. Evaluate alternative strategies and resource requirements needed to implement the identified strategies

172. The two published corporate plans do not explicitly include an assessment of alternative strategies and resource requirements that might be used to deliver their strategic priorities. There is no discussion of alternative sources of income nor of the potential for working with other organisations to meet their aims and objectives. The NCC have argued that this reflects the fact that an organisation with their role will, because of its very nature, always have to be primarily and substantially funded by Government (or from a charitable trust). We do not find any reason to hold a different view; the NCC's (and CEG's) ability to generate income is likely to be limited (see section 4.3 paragraph 79).

173. In preparation of their 1994/95 work programmes the SCC and WCC have, however, used a framework which differentiates between those items of priority work which will be funded from the DTI's grant-in-aid and work on strategic priorities that will only be carried out if additional funds are available. This was done so through necessity rather than choice. The NCC have not used such an explicit mechanism for relating work to resource availability, presenting only that work which will be done using DTI grant-in-aid; work that might be carried out using resources from other sources is not incorporated in the programme. In future versions of the corporate plan the need to consider alternative strategies and resourcing arrangements should be explicitly addressed.

3. Provide a long term direction for the organisation

174. The long term direction of the NCC is clearly described in its 1993-1996 corporate plan where explicit discussion is made of its:

- scope and objectives;
- mission;
- activities;
- criteria for undertaking work; and,
- changing environment.

Whilst this primarily relates to the NCC, it is also appropriate to the SCC and WCC. It is within this framework that all three of the Councils have identified their strategic priorities for the period of the corporate plan.
175. This framework has been developed in detailed discussions with the members of the three Councils and in discussion between the senior staff of the NCC and officials in the DTI Consumers Affairs Division. It is therefore well understood by the full range of people who have a responsibility for the direction of the NCC and has been agreed by them as being appropriate. We consider that it is appropriate.

176. The CEG's longer term direction is less explicitly set out in any one place, though the elements of that picture can be put together from a number of different source documents - 'About the CEG', Annual Report and a 1987 paper on determining priorities. It does, however, need to be updated and amalgamated into a single statement, whilst incorporating any proposed responses to the new Consumer Action Programme of the EC [if one is published].

4. Set challenging but realistic performance targets

i. NCC

177. It is required that the corporate plan includes challenging, though realistic, targets for the performance of the organisation. The DTI also require a value for money indicator[s] which would provide them with an overview of the NCC's performance.

178. This is an area with which the generic NCC have had great difficulty. The NCC corporate plan includes a series of key indicators which they are currently piloting as a means of managing performance at a corporate level.

179. As noted in section 6.3., the utility of the chosen indicators as a means of monitoring and evaluating corporate performance is doubtful. They tend to be a mixture of input measures (staff salaries as percentage of total costs), process measures (percentage of monthly management accounts produced by the due date) or intermediate outputs (number of published reports). There are no indicators of final outputs or of (the altogether more difficult aspect of) outcomes. The indicators tend to be department specific and do not link back to the aims and objectives of the NCC. Furthermore, no targets are included against which performance could be measured.

180. The current key indicators will be of use in the internal management of the NCC; though they will be of little utility in trying to make judgements of its overall value. In addition, the NCC work programme for 1994/95 also clearly sets out the strategic changes sought, the proposed outputs and outcomes and a number of specific targets for each its activities.

181. The WCC corporate plan does not include any indicators of performance at the corporate level, though at the level of individual projects and work programme activities there are explicit outputs and targets set. The SCC indicators and associated targets, which are explicitly set out in their 1994/95 work programme, also lie at the project and work programme level.
182. It should be pointed out that the Directors and senior staff of all three Councils recognise that their corporate plans and strategic management processes are weak in relation to performance indicators and targets. The development of an appropriate portfolio of truly corporate indicators will not be easy given the nature of the NCC and its role.

183. It is essential, however, if a more strategic relationship with the DTI is to become a reality that a portfolio of appropriate corporate performance indicators are agreed as a framework for regular reporting on progress towards the NCC's strategic priorities and aims. This will also assist strategic decisions to be made on the use of the scarce resources available to meet their strategic priorities.

184. Development of such a set of corporate and strategic performance indicators will not be easy, as noted above. We consider that there will need to be a portfolio of quantitative indicators which are based on progress and outputs on strategic priorities and major work plan projects and the use of resources in their delivery. The selected portfolio of indicators will need to be supported by a commentary on the performance targets which have been set and the trends in those targets and organisation's performance against them.

185. We do not consider that the development and preparation of a single value for money indicator or efficiency indicator would have any value for the NCC due to its multiple and varied aims.

186. In addition to such a quantitative set of performance indicators, we consider that it will be necessary to also use qualitative assessments of performance against strategic priorities, setting out the main achievements and successes. This could include information and comment provided by those with whom the NCC work as to their contribution to the partners' operations. This would provided, both for the DTI and the Councils, a means of maintaining an overview of progress on the key aspects of the work plans.

ii. CEG

187. The CEG work programme tends to be very descriptive with few explicit outcomes or outputs, though it does include some milestones. No indication is made of the strategic outputs or outcomes of the CEG’s work. We understand that the CEG’s role, as a research, information giving and lobbying body makes this difficult.
188. The current situation reflects the broad range of issues which the CEG needs to maintain in its work programme if it is to achieve its aims. There are, however, aspects and elements of the work programme of a sufficient scale and sufficient certainty to enable performance indicators to be developed. The same comments regarding the need for a portfolio of quantitative indicators and qualitative assessments against strategic priorities, made above in relation to the NCC, apply to the CEG, tempered with an understanding of the nature, size and capacity in an organisation with 4.5 people.

5. Provide a basis for determining the financial resources to be made available

i. NCC

189. The NCC’s corporate plan includes a forward financial plan for the generic Council over the three future years (1993/94 to 1995/96) which meets the basic requirements for preparing bids for the Public Expenditure Survey (PES). As agreed with the DTI, out-turns for the previous two years are also included.

190. We do not consider that this presentation of financial requirements, whilst necessary for incorporation into the PES process, is useful for the corporate and strategic management of the Council. A direct relationship needs to be made between the strategic priorities set out in the corporate plan and the resources it is proposed to allocate to each of those priorities. This is currently implicitly done in a "bottom up" manner through the work programmes of the three Councils. The recent introduction of a departmental budgets for the NCC begins to make the link in that the resource allocated to research, consumer support and communications (and corporate and support services) can be identified. However, this will still not link resource to the strategic priorities, which cut across the departmental structure. The WCC corporate plan provides an illustration of how resource will be allocated to their strategic priorities across a three year time horizon through a indicative diagram. This begins to link the strategic and the financial aspects of the plan.

191. To enable the strategic management of resource and performance, we consider that the development of a much tighter and more explicit relationship between the corporate and strategic priorities and the resources required to deliver them and their allocation between different aspects of the Council's activity is required.

ii. CEG

192. The situation for the CEG is somewhat different due to its size and the primarily responsive nature of most of its work, though the basic philosophy does not vary. The CEG does set broad priority areas for its activities. It does not, however, at present link these to resourcing in an explicit manner - except through the relationship between certain staff roles and responsibilities - as it sees itself as a purely responsive organisation. A "bottom up" picture could be developed which allocated resource against those aims and priorities.
193. To enable a more strategic, and explicit, management of resource in pursuit of the CEG's aims an explicit relationship between aims and strategic priorities and resources should be made in the corporate and strategic plan for the CEG notwithstanding the vagaries of the EU's activities in the consumer field. It will also give the members and Secretary a better idea of where the resources are being applied.

6. Provide a clear understanding of the corporate strategy to be followed and to set a framework within which the management can be responsible for its delivery

194. The above assessment of the current situation with corporate and strategic planning at the NCC and CEG indicates that whilst a sound basis has been laid for a move to a more strategic form of management relationship between the DTI and the generic NCC and CEG, there are a number of areas in which developments must take place before such an approach can introduced. This is particularly so for the CEG as it moves to becoming a full independent body.

195. At present strategic policy priorities exist for all four organisations as do aims and/or objectives, strategy and key actions. Major changes/outcome requirements are also set for the five strategic priorities and two 'methods of implementation' and major work programme elements (NCC), the strategic policy priorities subject areas (WCC) and the work programme projects and activities (SCC).

196. The major weakness in the corporate planning process currently lies in the use of the corporate plans, and related documents, as management tools by the Directors and the Departmental Heads. This primarily relates to their:

- lack of systematic and explicit relationship between the strategic priorities and the resource allocations; and,

- inappropriate performance indicators for managing at a corporate and strategic level (as opposed to a project or individual activity level).

197. It is our considered view that these weaknesses are reflected in:

- the limited use by the Councils and CEG member group of the corporate plan and its framework in making decisions about the shape and balance of the 1994/95 work programme; and,

- the difficulty in pointing to the strategic impact of the DTI's original proposals to radically restructure the generic NCC's fund.

We must note, however, that the senior staff of the NCC do not fully agree with our interpretation on this matter. They consider that the criteria within the corporate plan for prioritising work, to which were added other criteria, were part of their decision making process.
198. Whilst we accept that the corporate plan was an element in the decisions made, particularly on the 1994/95 budget reduction, there was not the iterative questioning of the strategic policy priorities and their relative importance and resourcing that we consider should have taken place. The corporate plan appears to have been more a "background" against which the other criteria were applied rather than the driving force for decisions. This should not be taken as a comment on the ability of the NCC's senior management to make difficult decisions; it is a comment of the current value of the corporate plan, in particular its lack of a link between priorities and resources, in making such decisions.

199. The further development of the corporate planning process and plans of the NCC and CEG should enable a fundamental shift to be made in the relationship between them and the sponsoring division of the DTI. The current focus on tactical and operational matters, the provision of extensive documentation on a monthly basis and the quarterly financial reports, provides little real feel of the progress which the NCC and CEG are making towards their strategic priorities. What we envisage in the future is a report, probably made after 6, 9 and 12 months, comprising:

- key strategic performance indicators (quantitative and qualitative) together with a commentary of achievements against strategic priorities. These are likely to include indicators of output, such as number of publications and policy submissions, number of consumer organisations supported and press coverage, as well as indicators of resource (time and money) spent by staff on key strategic priorities;

- quarterly financial statements setting out expenditure against planned profile in respect of the strategic priorities and the overall accounts (of the nature of those submitted by the NACAB); and,

- quarterly 'proof of needs' statements, in the form of a commitment account for the next quarter, to enable payment of 'grant-in-aid' (again based on the NACAB proforma).

We see these reports replacing those which the DTI currently receives and as also being the management reports which the Council[s] receive on a quarterly basis to enable them to properly review progress towards the corporate plan and work programmes.

7.2 The Need For Public Accountability And Co-Ordination With The PES

200. Our recent discussion with the officials in Consumer Affairs Division who are responsible for the NCC indicate that a single integrated corporate plan for the NCC is still required. As they point out, the Council is a single organisation which is grant-in-aided as a single entity, albeit one which has delegated various powers to its associate Councils and has geographic offices. Furthermore, the DTI are publicly accountable for its as a single NDPB not three organisations.
201. The current legal structure of the generic NCC is such that it has delegated policy making powers of the Council, within the overall aims as set out in the Memorandum and Articles of Association to committees for Scotland and Wales. The justification for so doing, and it is one which we consider to be completely valid, is the different economic, market structure, social and (in Scotland) legal situation in those two countries. It is inevitable in a situation, where the SCC and WCC have policy autonomy within the overall mission and aims of the NCC, that there will be different emphases and priorities in Scotland and Wales. Indeed, if there were not, there would be absolutely no justification for separate Scottish and Welsh Councils (though there might still be reasons for Scottish and Welsh offices and members). We have already recommended that the tripartite structure remain rather than a number of alternative structural option which exist (see section 4.2).

202. We understand that DTI's officials responsible for the NCC accept this situation and understand that there may need to be different strategic priorities and allocation of resources in Scotland and Wales to those being pursued in London. They do, however, require that there is an integrated framework for the NCC, SCC and WCC.

203. They also require that the corporate plan contains strategic performance and value for money targets against which to measure progress and report performance (as outlined in paragraph 140 above). Again, the DTI would like to see this approached at an integrated level, wherever possible though again they understand that there may be aspects which are specific to the SCC and/or WCC. In the next corporate plan, which according to Treasury guidance should be prepared during this summer as part of the preparation of the PES bid for 1995/6 and the following two years these new performance targets should be incorporated. As should a review of performance against previous key performance indicators.

204. Finally, in respect of the generic NCC, the consolidation of the PES bid and two previous years' out-turn for the generic Council, as presented in the 1993/94 to 1995/96 plan, is still required. In this respect, the DTI sees the opportunity to explicitly link the rolling forward of the corporate plan to the preparation of the Council's three year financial bid under the PES process.

205. Looking slightly into the future, and depending upon discussions between the NCC and potential partners, the issue of how to treat any NCC trading company within the corporate planning process will need to be agreed. This will need to take place alongside discussion over its precise legal nature, legal liabilities and the relationship between the generic NCC, as currently legally established, and the new trading company.
206. In respect of the CEG, the Department requires that it complies with the principles set out by HM Treasury for corporate planning. They are, however, mindful of the nature and scale of the CEG and its proposed transition to a fully independent organisation. As part of this, the CEG will be expected to prepare a separate corporate plan setting out its aims and objectives, strategies, performance targets and resourcing requirements. We believe that the DTI is content that this requirement can be achieved through a succinct document based on information already developed by the CEG in relation to its work programme, criteria for setting priorities and Annual Report.

7.5 Recommendations

207. The above discussions leads us to recommend that the NCC:

i. prepares an integrated corporate plan for the period 1995/96 to 1997/98 and that plan is rolled forward each year as part of the preparation of their PES bid (Recommendation 13).

This integrated plan should be prepared to a common framework starting from the common aims and strategic objectives of the generic NCC and then working through specific priorities, strategies, resource allocations and performance indicators for each of the Councils before pulling everything together with the a generic budget including sources of funding. This plan should be prepared, if the Treasury guidelines are to be followed, as part of the 1995/96 PES process.

208. To be of real value to the generic NCC and to meet HM Treasury and DTI requirements, we recommend that this integrated corporate plan should:

ii. identify the resources which will be allocated to each of the strategic policy priorities and the other principal areas of activity (Recommendation 14).

This should include not only the consumer support activities and communications and campaigning activities but also the Council members and the administration activities. The allocations should be over the three year period of the plan and expressed in percentage, staffing time and/or financial terms.

iii. explicitly address the issue of how those areas which are considered to be strategic priorities are to be resourced and present alternative strategies based on alternative levels of grant-in-aid provided by the DTI and other funders (Recommendation 15).

At a minimum the corporate plan should set out for each strategic priority and the consumer support, communications and campaigns, and support (administration) services the level of resources they will be allocated.
across the period of the corporate plan. An indication of any changes in relative priority for resourcing which would be made if levels of total funding and grant-in-aid should also be given. This should include a discussion of the opportunities available for using external service suppliers for the delivery of services (see section 10 of this report).

iv. include performance indicators and targets at a corporate level relating more closely to the aims and objectives of the Council[s] and the strategic priorities (Recommendation 16).

New performance indicators which relate to the generic Council's aims and strategic objectives (which may vary by Council) should be developed. These should focus as far as possible on final outputs rather than inputs and processes; paragraph 140 above outlines the type of indicators that the Council should develop. An indicator of progress against milestones and plans for major projects should also be included. A portfolio of ten to twelve, at most, indicators across the whole of the Council's operation should be developed for use by senior managers, Council members and the DTI sponsor to monitor and review performance.

v. indicate the opportunities available for working with other organisations in delivering its aims and strategic priorities (Recommendation 17).

The NCC, SCC and WCC all regularly work with a range of other organisations in the consumer network, particularly the CA, NACAB, CAS, NICCs and NFCG. These relationships are not formally included within the planning of the Council's work despite their common interests. The corporate plan should provide the formal framework within which the generic Council will work with other organisations in the consumer network.

vi. incorporate a review of performance against the Council's aims, strategic priorities and key performance indicators as part of the development of the strategy and resource allocations (Recommendation 18).

The first corporate plan, for obvious reasons did not include a formal review of progress against the performance indicators from the previous corporate plan. In the 1995/96 version of the plan, a review of performance against the indicators from the 1993 plan, or others which the Council may consider to be more appropriate.
209. **We recommend that the CEG:**

   vii. prepare a freestanding corporate plan alongside its negotiations with the sponsoring division of the DTI on its transition to a fully independent body (Recommendation 19).

   The CEG must prepare a corporate plan setting out its direction, strategic priorities, strategies, performance indicators and targets, allocation of resources and funding requirements. This should be prepared as part of the move of the CEG to full independence and in time for the 1995/96 PES round.

   viii. adopts the principles set out in recommendations i. to vi. in respect of the NCC corporate plan (Recommendation 20).

   In doing so, it must be recognised by the DTI that the nature and size of the CEG will influence the degree of certainty and level of specificity at which it is able to plan. The greatest stress needs to be placed on the strategic priorities for the CEG and the allocation of resources that it will make to each of its priorities.

210. **We recommend that the DTI:**

   ix. develop and agree, with the NCC and CEG, new reporting relationships based on a change from the current operational level to a strategic level (Recommendation 21).

   This should be based on a reporting (at 6, 9 and 12 months of the financial year) on achievements against strategic priorities, performance targets - including major projects milestones - and financial accounts and 'proof of need' described in paragraphs 124 to 127. It is our view that it will only be possible to introduce such a change as and when the above developments to the corporate planning process are in place. They will make such a change feasible and practical in respect of the need for public accountability.

211. Finally, it **must** be noted that the resources available to the NCC and CEG to carry out such developmental work is extremely limited. A timetable for introducing the necessary changes and any resources to support the NCC and CEG will need to be agreed between the DTI, NCC and CEG, following the Department's consideration of this report's recommendations.
8. PLANNING, MANAGING AND MONITORING THE WORK PROGRAMME

8.1 Introduction

212. In this section of the report we:

- set out a number of fundamental principles that govern the effectiveness and efficiency of any system of work planning management;

- review the testimonial, documentary and statistical evidence we have gathered from the three Councils and the CEG against our principles of effective work management;

- draw conclusions about the effectiveness of the Council's processes, procedures and systems; and,

- make recommendations for change and improvement where necessary.

213. Throughout the process of analysis and developing recommendations we have borne in mind that the generic NCC and, particularly, the CEG are small in size, whether measured in terms of staff numbers or total budget. The implications of this situation are that the:

- analysis allows for the common sense observation that much of what is required in the way of planning, management and measurement can be provided for without the benefit of formal, documentary systems; and, therefore,

- recommendations for change recognise that time and effort devoted to investment in the development and implementation of new procedures and methods will, inevitably, be at an opportunity cost to the Council's and CEG's work plans unless specific development funding can be made available.

It is therefore sensible to both minimise the scale of investment in formal systems and to plan their implementation in ways and over time periods that have least impact on Council work.
8.2 The Principles Of Effective Work Management

214. Six broad principles underpin all successful work management systems. They are that the:

- scope of work planned must be deliverable within the planned effective level of resources available, where the effective level of resources is the product of the:
  - amount of resource (measured in money, staff days or by other appropriate means);
  - effectiveness of the resource; and,
  - efficiency with which resource is used.

- content of the work programme and the objectives attached to elements of the work should be such as to accord with the organisation's strategic aims, objectives and targeted outcomes;

- elements in the work programme should have an order of priority attached to them such that:
  - it is clear which elements will be dropped from the programme if, for example, a higher priority element absorbs more resources than are planned for it; and,
  - in the aggregate, the sum of work element priorities reflects the order of priority among the organisation's strategic aims and objectives;

- each element in the work programme should have a clear target and resource allocation so that its performance - and the performance of the aggregate work programme - can be managed effectively against a predetermined result and budgetary allocation;

- work management arrangements should support (but not duplicate) high level reporting to the organisation's sponsors and stakeholders;

- plans should include a clearly defined margin of contingency - either as an earmarked resource or a portfolio of disposable, low priority, work elements - to cover the inevitable quantity of unforeseen work that any organisation will encounter.

215. In the context of the work of the NCC and the CEG the application of these principles will need to be informed by the nature of the work, particularly:
• a significant proportion of the total work undertaken each year is of an essentially unplanned, reactive, nature. The proportion of policy and development staff time allocated to such work has recently been increased by the NCC from 20% to 30% in their planning to reflect the increasing requests, specific and general, from Government and other bodies for contributions on proposals with a consumer impact. Hence it is particularly important for the NCC and the CEG to manage the scope of their work within the resource allocated to them, whilst also make adequate explicit allocation of resource to lower priority work elements which can be dropped or postponed to generate "slack resource" to meet their contingent needs. As we understand it, all of the NCC offices make an explicit level of resource available in their work programming for contingencies;

• almost all the Council's work is in the form of projects in which internal intermediate outputs and - particularly- final outcomes may be far removed in time from the work activities that give rise to them. In the case of the NCC, the work activities themselves will as often as not require inputs from all three principal departments: policy, consumer support, and communications and campaigns.

216. We consider, therefore, that work planning and management must be set in a multi-year and, in the case of the NCC, multi-department context. Furthermore, targets and output measures should be of a nature appropriate to project work rather than functional work; completion of a work element to a quality standard, time and budget rather than a unit cost or a number of outputs produced per period. A proforma of the type of work planning and management process which we would expect to see in an organisation such as the NCC and the CEG is provided opposite.

217. The Council and the CEG work in partnership or alliance with a multitude of other bodies engaged in one aspect or another of consumer work. Two implications follow:

• the direct link between the Council's and the CEG's work and outcome is further removed in both time and causality; and,

• the NCC and the CEG may be required to respond quickly and at short notice to the activities of other bodies.

218. Overall, perhaps the strongest requirement of the NCC and CEG in respect of their work planning and its management is for flexibility; the ability to juggle priorities and switch resources between projects and activities as events unfold, and to do so at low cost in ways that do not divert excessive amounts of scarce time and effort away from the real work which the organisations' staff are employed to perform.
8.3 Work Planning And Management: Current Practices

219. Each of the bodies that comprise the generic NCC and the CEG produce an annual work plan setting out their intentions for the year ahead. The four plans differ in style, content and in the amount of detail they provide. The NCC plan is the most detailed and the CEG plan the least. This variability reflects in part the differing sizes of the organisations and the complexity of their work; and the corresponding need to write down the work in order to communicate it with those who will implement it and provide a tool for those who will manage its delivery. Nonetheless, even the most detailed plan on its own would not fully satisfy the six criteria set out in Section 8.2.

i. The National Consumer Council

220. The NCC work plan sets out a comprehensive description of the amount and type of work planned for the coming year. The 1994/5 plan describes 38 items of work for the 3 core departments:

- Policy Department: 17 items allocated to nine defined areas of policy as follows:
  - 1 to Neighbourhood and Environment
  - 4 to High Street Goods and Services
  - 1 to Public Utilities
  - 2 to Personal Finance
  - 1 to Health
  - 3 to Social Services
  - 2 to Legal Services
  - 2 to International Trade and Industry
  - 1 to the Legal Office

- Consumer Support Department: 17 programmes of activity
  - 4 to Consumer Organisations Office
  - 6 to Consumer Support and Advocacy Office
  - 3 to Consumer Advice Office
  - 4 to Consumer Charter Office

- Communications and Campaigns Department: 4 programmes of activity for each of:
  - Press Office
  - Parliamentary Office
  - Publishing Office
  - Corporate Communications.
The NCC argues that this programme maintains its now traditional balance of work between its:

- three principal activities of policy analysis, research and development; consumer support and advice; and communications and campaigning;

- three key issues: economic, social and the rights of individual consumers in the market place; and, the

- five strategic policy priorities identified in the NCC's corporate plan: utilities, public services, high street goods & services, credit and debt, and legal services.

For each item in the work plan the NCC defines:

- work completed in the year prior to the planning year;

- objectives for the planning year;

- work to be completed in the planning year;

- major changes sought in the environment;

- internal outputs and external outcomes; and,

- resources allocated in terms of staff time and financial allocations from the work programme budget.

The scope of work contained in the work plan is contained within the level of effective resourcing available to the NCC, although we note that the work of the Administration department is not included. Of the 5,075 senior policy and development officer/policy development officer days available to the NCC during 1994/95, the NCC has allocated 70% or 3,350 hours to items in the work programme, retaining 30% or 1,525 hours as a contingency margin to tackle unforeseen opportunities or issues arising in the course of the year. The annual work programme budget, that is the money available to the staff working on the item for the purchase of external research, travel, stationery, printing and so on is, in total, £190,000 in 1994/95. Of this some, 91% is allocated to items in the work plan, 4% retained as a contingency and the balance transferred to the Scottish and Welsh Consumer Council's work programme budgets to help them manage the disproportionate effects of the reduction in grant-in-aid funding imposed in the year.

The content of the work programme clearly accords with the aims of the NCC as expressed in its selection of core activities, key issues and strategic policy priorities. Further, the objectives attached to each item in the work plan - although frequently expressed in only the most general of terms - correspond to the overall aims and objectives of the generic NCC. However, the basic framework of core
activities, key issues and strategic policy priorities is itself so broadly drawn that it could comfortably encompass a quite different work plan. It is not clear to us how the set of tasks in the work plan came to be chosen.

225. The NCC have argued that the criteria they use to select their strategic policy priorities are, generally, sufficiently refined to allow for the determination of work plan priorities within each of the strategic policy priorities. However, it is clear from Annex A to the 1994/95 Work Plan that the criteria were not so refined as to permit the NCC to use them unaided in deciding how last to change their planned workload in the face of an imposed reduction in the grant-in-aid for 1994/95. In addition to their strategic policy priorities and four original selection criteria, the NCC also found it necessary to consider:

- the potential scope for cost reductions by:
  - bringing work in-house;
  - improving in house cost estimates;
  - giving priority to follow-up work rather than new work;
  - avoiding work that committed NCC to future expenditure;
  - avoiding duplication of work between the Councils;
  - cost sharing partnerships; and,

- the actions needed to limit damage by:
  - avoiding changes that would adversely effect external relations;
  - giving priority to work that maintains NCC's reputation and public profile.

226. With the aid of these additional criteria the NCC:

- deleted two areas of work from the Policy Department work plan (Education and Housing) and has curtained commissioned work across the board;

- shelved some consumer support Department projects, curtailed and delayed others, and reduced the amount of commissioned work; and,

- reduced the quantity and quality of outputs from the Communications and Campaigns Department and reduced the amount of commissioned work.

Again, it is not clear quite which of the additional criteria contributed to each decision, but it can be inferred that the avoidance of future costs figured prominently in the Policy Department, while the reduction in external expenditures played a major role in cost reduction across all departments.
227. It would be plainly inappropriate to suppose that a set of criteria assembled to frame a response to a sudden emergency can or should play a permanent part in NCC’s work planning. Some, however, should do so; avoiding duplication between the Councils and seeking to share costs with other partners are two such criteria, dealt with elsewhere in this report in our comments on the scope for an integrated generic corporate plan and income generation. Others cannot play a such a permanent role; the NCC cannot forever avoid new areas of work, to do so would be to fail to respond the external environment. However, the point remains that NCC does not have an established order of priority embedded in its work programme. We consider that, in the absence of such an order of priority and clearly articulated criteria for establishing it, the NCC:

- cannot demonstrate that its chosen work programme is the most effective and efficient selection of projects for delivering its strategic aims and objectives; and,
- may find it difficult to respond quickly and at minimum risk to in-year pressure for change.

228. The NCC do attach targets and resources to elements in the work plan. However, we noted a number of areas of weakness in the management of the work plans:

- managers and members do not monitor out-turn against these targets and allocations:
  - the review of prior year work does not, formally, indicate whether or not target outputs were achieved;
  - there is no internal system for recording the use of staff time by project;
- the targets set for internal outputs whilst, generally, quite specific are:
  - annual in keeping with the period covered by the plan; and,
  - specific to particular functions/departments.

This has the result that it is difficult to determine how far any one internal output takes the NCC towards the external outcome attached to any one element of the work plan and, simultaneously, difficult to build a coherent picture of internal outputs by Department. Overall, targeting and resourcing suffers from the single year, departmental nature of the work plan in what is essentially a projects dominated work environment.
ii. *The Scottish Consumer Council*

229. The SCC's annual work plan is constructed on somewhat different lines to that of the NCC. The broad framework is similar, being constructed around:

- a set of core functions (Research, Policy Development, Policy Implementation, Responding to consultation documents, Lobbying and campaigning, consumer information and support, Publishing, Networking and Representation); and,

- strategic (key) policy areas (Legal services, Rural and Environmental Affairs, Public Services and Utilities, Economic Affairs and Social Affairs).

However, we have not seen the case for this framework documented as strongly and cogently as the case for the NCC framework in their corporate plan.

230. The SCC is a much smaller body than the NCC and does not, therefore, organise itself into a number of departments. Nor does it organise its work plan around its key policy areas. Instead, the principle underlying the SCC work plan appears to be that of managing projects at different stages of their life cycle. Hence the key organising principles are:

- follow up - essentially monitoring the implementation and impact of SCC policies;

- completion - current year work to complete projects begun in the prior year;

- continuation - continuing work in the current year and beyond on projects started in the prior year;

- new work: new projects to start in the current year, in two categories:
  - A, requiring an allocation of funds from the Work Programme Budget; and,
  - B, requiring external funding before work commences;

- strict adherence to a project life cycle approach might, however, see the SCC ordering and combining their categories of work to encompass 'new work', 'work in progress' and 'post implementation review'.

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For each Category A, funded new work, project the SCC work plan defines:

- objectives;
- project plan, methodology and timescales;
- background and/or previous research;
- planned outcomes (defined to include what, in the case of the NCC, would be defined as internal outputs);
- member of staff responsible;
- percentage of staff time required; and,
- planned funding arrangements (but not financial amounts).

For other categories of work less detail is given and in less structured form. Follow on work is deemed not to have significant resource implications, and category B, unfunded new work projects, are described only in outline.

The SCC keep the scope of work within the resources available. For 1994/95 they appear to be committing around 1.25 staff years of time, from a research staff of 3, to the new work Category A projects. The balance of time goes to other categories of work in ways not defined in the work plan. A small amount of time is retained as a contingency. The allocation of monies from the work plan budget is similarly undefined at present though we understand that this detail will be shortly added. The SCC do not have a clearly defined contingency budget (arguably, it is not feasible to allocate a specific margin when the resource pool is so small) but do have a store of additional work (Category B new work) which they will carry out if external funding is forthcoming. Early indications are that a number of the projects will receive funding.

The content of the SCC work programme is fully consistent with their overall aims and objectives but, as with the NCC, the criteria governing the choice of new projects are pitched at a high level of generality. It is therefore not possible to conclude that the SCC have chosen the best value-for-money package of work. Each Category A item of new work has attached to it a reasonably specific set of objectives and a broad estimate of the staff time devoted to it. Types of expenditure from the SCC work plan budget are identified, but not as yet the actual amounts of money. Neither objectives nor resources are systematically attached to any other class of work. Targets are set for all classes of work in terms of planned outcomes. In general, the SCC includes in its definition of outcomes both the 'external outcome' and the 'internal output' defined for all items of NCC work.
iii. The Welsh Consumer Council

234. The WCC's annual work plan classifies its work under four broad headings:

- policy work, akin to NCC's policy work but including some elements of campaigning and communication;
- public relations, including PR, publications, Annual Report and bilingual policy;
- consumer support and representation; and,
- operational priorities, including staff, management, finance and administration.

The WCC is thus, with CEG, one of the two bodies to also include administration and management in its annual work programme (though the NCC also did so in its corporate plan's departmental programmes).

235. For each element of the work programme, the WCC defines:

- aims;
- programme of work for the year;
- resources, measured in staff days and incidental finance;
- specific quantitative output and time targets; and,
- background, including previous work.

236. The scope of work appears to be contained within the total of available resources, leaving a small margin of contingency to cover unplanned, reactive work. Our estimates are that allocated resources amount to:

- 1264 staff days (82% of the 1100 full-time and 440 part time days available to the Council), and,
- £33,275 (net) of expenditure from the total annual work plan budget.

The content of the work plan is, again, fully within the compass of WCC's aims and objectives. There are no explicit criteria governing the selection of projects though discussions with the Director reveals that they used those employed in the 1993/94 work programme. Targets are set for, and resources allocated, to each element of the work plan. However, the targets are expressed as 'aims' at a high level of generality and currently lack specific numerical or temporal dimensions. These are now being added as part of the plan's final drafting. Like the NCC and SCC, the WCC does not subsequently monitor actual out-turn against targets and resources in a formal manner.
iv. Consumers in Europe Group

237. The CEG classifies its staff work programme under eleven areas of strategic interest:

- consumer protection;
- safety;
- food (safety, information, quality, animal health, general);
- internal market and other issues (general, competition, financial services, money, pharmaceuticals, transport, advertising, energy, enforcement, access to information);
- trade policy;
- agriculture;
- environment;
- health and social issues;
- representation;
- publications; and,
- general, including administration and management.

The first eight represent CEG's main policy concerns. Representation and publications include a range of items not elsewhere classified and appear to be components of the general category.

238. Generally, the CEG staff work programme is confined to listing activities and assigning responsibility for each activity to members of CEG staff. The content of the work programme appears to conform to CEG's strategic aims and objectives. The paper produced in 1987 on the criteria for selecting work priorities does not appear to have been explicitly used in drawing up the most recent plan though we are informed that all items conform to the criteria. However, the driving force appears to be the concerns and debates in the EC and its Parliament. Similarly, there are no explicit targets or resource allocations and it is therefore not possible to conclude as to whether the CEG tailors the scope of its work programme to fit within the resources available to it. Our discussions suggest that at best there is an ad hoc match based on discussions between staff and the Secretary at their regular meetings.
239. A summary rating of the four work plans against our six standard criteria is set out in the figure below.

<table>
<thead>
<tr>
<th>CRITERION</th>
<th>NCC</th>
<th>SCC</th>
<th>WCC</th>
<th>CEG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of work/resources</td>
<td>G</td>
<td>S</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td>Content of programme</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>S/U</td>
</tr>
<tr>
<td>Order of priority</td>
<td>U</td>
<td>U</td>
<td>U</td>
<td>U</td>
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<tr>
<td>Targets and resource allocations</td>
<td>G</td>
<td>S</td>
<td>S</td>
<td>U</td>
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<tr>
<td>Contingency</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>U</td>
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<tr>
<td>Supports high level reporting</td>
<td>U</td>
<td>U</td>
<td>U</td>
<td>U</td>
</tr>
</tbody>
</table>

Key:  
G = Good: clear, well thought out, precisely stated  
S = Satisfactory  
U = Unsatisfactory: unclear, not thought out, not stated

240. Taken overall, the plans describe in some detail what the Councils and CEG plan to do in the coming year. More specifically:

- the NCC, SCC and WCC tailor the scope of work to fit the resources available to them, leaving a margin of contingency for unplanned work. CEG appears not to do so;

- all the Councils and the CEG are clearly tackling issues that are consistent with their aims and objectives. Only the NCC and SCC explicitly deploy specific selection criteria to determine what specific projects should be included, although we understand that the WCC also does so though has not included them in its plan. However, the criteria are pitched at a high level of generality and, in the case of the NCC, some criteria have an air of being developed for tactical reasons. In no case can we be confident that the Councils have selected a work programme content offering the highest ex-ante value for money outcome;

- none of the Councils nor the CEG identify a clear order of priority to the elements of their work programme;

- targets and resource allocations are explicit in the NCC, WCC and SCC plans. CEG has neither allocations nor targets, though they are clearly implicit in the programme itself; and,
• none of the bodies appear to monitor out-turns against plans in a systematic way except for the budgets allocated to a project. Their performance management arrangements cannot, therefore, be said to be sufficiently rigorous with a consequential impact on their reporting to their sponsor.

241. Our overall conclusions are, however tempered by a number of observations. First, the business of corporate planning and explicit performance management are relatively new to the Councils and CEG. It is, therefore, not at all surprising that their formal arrangements are less than completely satisfactory. Second, shortcomings in formal arrangements should not be allowed to detract from the informal arrangements which all four bodies have in place (described in section 8.4 below). They are all small bodies in which staff and managers work closely together, exhibiting a clear understanding of strategic aims and priorities and a willingness to flex agreed plans as circumstances unfold.

242. Nevertheless, we believe that there are a number of steps the Councils and the CEG should take to improve their formal arrangements in ways that they will find helpful. We set these out, in section 8.5, after discussing management of staff and their work.

8.4 Management Of Staff And Their Work

243. The NCC, SCC and WCC all use a very similar set of internal arrangements for the management of staff and their work. The main management procedures are:

• regular one-to-one meetings between staff and their line managers to review progress on work responsibilities which derive from the work plans. These occur at different periods in the NCC, SCC and WCC and in the CEG primarily due to the size of the organisations and the level of informal contact. They include quarterly review meetings between the Director of the NCC and, separately, the Directors of the SCC and WCC;

• senior management team meetings comprising the department heads (NCC), Director and senior staff though the meeting is open to all (SCC) or the Director and the two senior policy and development staff (WCC);

• monthly research staff meetings and task group meetings are being held in the SCC and NCC, respectively, to manage projects across the organisation. The WCC is of such a size that such meetings are deemed unnecessary as only the Director and Senior Policy Development Officer have projects and they manage them through their weekly meetings;

• a number of generic working parties - such as the legal advisory panel and consumer education joint working group - which include staff from the NCC, SCC and WCC;
• team briefings cascades, using verbal and written materials, after the meetings of Council are used at the NCC to quickly disseminate information and changes to plans and projects - the staff meetings at the SCC play the same role as do the weekly senior staff meetings at the WCC; and,

• Joint Corporate Management Team, in which the three Directors, the Secretary of the CEG and the Director of the General Consumer Council for Northern Ireland meet on a quarterly basis to co-ordinate the work of their organisations, address issues which are of common concern to all three organisations and to identify new issues of consumer interest which they should be looking at addressing. The increased value of this meeting now that it has changed its focus to generic and corporate matters was noted by all the Directors and the Secretary of the CEG.

244. The CEG being very much smaller has a much simpler set of arrangements for the management of their work. This is based on fortnightly staff meetings during which work priorities and deadlines are reviewed alongside progress and new demands or opportunities for work. This appears to operate effectively.

245. In addition to these meetings and briefings, which are primarily held to manage the work of the organisation, the generic NCC and CEG are in the midst of introducing a new individual appraisal and development process. This will focus attention to a greater extent than previously on individual performance and the competencies needed by people to deliver their role and responsibilities to a satisfactory level of performance.

246. The involvement of Council members of the NCC, SCC and WCC in the management of the work programme is primarily restricted, as we believe it should be, to two specific inputs:

• through working groups, reflecting the strategic policy priorities of the particular Council, which 'sponsor' and review the workings of the research staff on major policy issues. The primary role of members in this vehicle is as expert contributors to the issue in question through both their individual experience and that which they can import from their own networks of contacts. This process appears to work very effectively though it is a costly processes as members have to be reimbursed travel costs (though they are not paid for their time). Policy work which is new or which changes NCC, SCC or WCC policy is also debated by the respective Councils; and,

• a six monthly (and annual as part of the paper on the subsequent year's plan) review of the progress made on the agreed work plan of each Council. This has tended to be qualitative in nature with little information available on resource use other than basic work programme budgets expenditure figures.
247. A similar arrangement exists for the involvement of the representatives of the CEG's members through five working parties each addressing a particular area of the policy work undertaken. Members receive reports on work progress at the four Members' meetings, and through regular newsletters. The NCC also receives a report mid way through the year from the CEG which describes what has been achieved during the preceding period and the anticipated areas of work for the coming six months. Of more value to the CEG staff appears to be the Chairman's Committee, which includes representatives from the NCC and CA as well as the CEG's members, which discusses priorities, finance, the work programme, staff and organisational matters.

248. Our conclusions, based on limited discussions with senior staff about the role and operation of these internal work and staff management arrangements, are that they appear to be appropriate to the size of the organisations concerned and that they operate relatively effectively. Our only real concerns are those expressed above:

i. the focus of the weekly senior staff meetings which all three Councils hold appear to deal with operational matters which could better be dealt with elsewhere;

ii. the nature of the reports presented to the Councils and the CEG Members' Group and Chairman's Committee which are very weak on the reporting against performance targets and budgets from the work programme.

We consider that these matters can be resolved by the Councils without undue expense or difficulty.

8.5 Recommendations

249. Our recommendations fall into three broad groups concerned with:

- establishing a common framework for work planning and performance management, consistent with the desire of the DTI to have integrated plans and that of the Councils themselves to retain their independence;

- putting that framework onto a firmly project based orientation; and,

- specific recommendations to put the framework into line with our six criteria of effective performance management systems.
ii. a common framework

250. Each of the Councils and the CEG structures its work plan in its own way. We are not convinced that this arrangement is either necessary or helpful. In general the bodies are all addressing a common agenda albeit with natural variations in focus for the SCC, WCC and CEG. While there is little evidence of duplication of work among the Councils (except, perhaps, in the area of social services), there is some duplication of expertise. The extent to which the work plans are able to be co-ordinated, through the participation of the NCC's Head of Policy in their development, is questionable when it is the members of the three Councils that decide on the final work plan.

251. As we have indicated earlier in this report, the NCC, with its relatively well developed approach towards corporate planning, has the strongest framework. We believe that the other three bodies could with advantage adopt the NCC's robust approach to identifying:

- core activities (research, consumer support and communications and campaigns);
- key issues (economic, social and legal rights); and,
- strategic policy priorities; then structure their work programme along these dimensions. It is not, of course, necessary for the three Councils to adopt the same activities, issues and strategic policy priorities. In practise, however, the NCC's core activities seem accurately to encompass all the work and activities of the generic NCC and CEG. Broadly the same appears to be true for the three NCC key issues; the strategic policy priorities will, however, very quite widely. CEG's priorities will, inevitably, be driven by the EU and EC agenda and the Scottish and Welsh Councils must have their own distinctive national concerns.

252. Within this common framework, it would be relatively easy of the four organisations to identify areas where they can work in mutual support each other and those where independent working is most effective. Perhaps more importantly, the Councils and the CEG will find it easier to demonstrate the extent of the co-operative working to their main sponsor, the DTI. Moreover, by extending and adopting the standard NCC classification, all the Councils will improve their ability to access prior work carried out by one another.

253. We recommend that the generic NCC and the CEG adopt a common work plan framework based on their respective core activities, issues and strategic priorities (Recommendation 22).
ii. a project basis for work planning

254. The WCC come closest to adopting a straightforward project basis for work planning, as we indicated earlier in this section. The value of such an approach is clear. Our discussions with the NCC have indicated just how long can be the gap between the commissioning of policy research work, the delivery of internal outputs and the final achievement of external outcomes. The gap between internal outputs and the achievement of external outcomes is however, not an empty waiting period. Rather, from a project management point of view, it represents a period during which the Councils deploy their considerable networking, lobbying, communication and campaigning capabilities to ensure 'benefit realisation', recognised by most modern approaches to project management as a key stage in implementation.

255. All three Councils make implicit use of a project base for work organisation. The NCC, in developing their tactical criteria for deselecting projects in the face of a budget reductions gave priority to follow-on work (ie benefits realisation) rather than new work. The WCC, recognising that they could not achieve all their objectives in one year, decided on a mix of new and follow-on work to vary across a three year period in their corporate planning document. The SCC plan adopts a similar structure.

256. Planning within a multi year framework in this manner is necessary within the NCC and CEG as it enables managers to:

- integrate projects within the overall framework of strategic aims and objectives;
- emphasise the connection between external outcomes and internal outcomes; and,
- strengthen the scope for demonstrating the scale of co-operative working.

Above all, such an approach will greatly enhance communication between the Councils and, collectively, with the DTI.

257. We recommend that the NCC and, for its larger pieces of work and streams of activity, the CEG adopts a project based planning framework, cutting across current departmental and role divisions where appropriate (Recommendation 23).
iii. specific recommendations

258. Against each of the evaluation criteria set out in section 1 of this chapter we recommend that the:

- SCC, WCC and CEG bring to their allocation of resources the same degree of detail and precision as the NCC (Recommendation 24).

- three Councils and the CEG put a cash value of the staff time allocations to projects (Recommendation 25).

- CEG make provision for a margin of contingency in their work plan (Recommendation 26).

- SCC and WCC be explicit about the contingency margin built into their plan (Recommendation 27).

- three Councils and the CEG further develop criteria for determining the content of their annual work plans (Recommendation 28).

The criteria should include:

- the weight attached to the external outcome to which the project contributes;

- the estimated total value of resources required across the remaining life of the project; and,

- the scope for co-operative working amongst the Councils and other partners towards common external outcomes

These criteria would be based on the current criteria and be directed towards securing the highest value-for-money package of work over the three year corporate planning period to limit the possible damage that may be done to their effectiveness by short term decisions to meet short term resourcing problems.

- three Councils and CEG develop a system for weighting strategic outcomes and measuring the contribution of projects towards them (Recommendation 29).

These weights and measures will also form the basis for an order of priority among projects so that members and senior staff can decide which projects to add to or delete from their work plan as financial circumstances dictate;
- three Councils and CEG should also address the type of output measure they use and the targets they set (Recommendation 30).

As we have indicated the process type measures employed by the NCC are inappropriate and can be seriously misleading. In what is essentially a project environment, output and targets must be expressed in project related terms. Thus an internal output, say a report to Council, should be produced to the required standard of quality, on time and within budget for a target to be achieved. Measuring the total number of such reports and estimating their average unit cost is not helpful in terms of overall performance. Setting targets in these terms is unlikely to succeed (since no-one individual is, ultimately, directly in charge of all reports) and may be misleading if inappropriate actions are taken to correct variances between out-turn and plan;

- three Councils and CEG should monitor out-turn against plan as the planning year unfolds and report progress to their main sponsors the DTI (Recommendation 31).

This should be done in terms of, for example, the proportion of projects keeping to timetable and budget and proposed management actions to recover or abandon projects that have shifted from plan;

- NCC and SCC should extend the scope of annual work plans to include internal administration and management (Recommendation 32).

These areas of the NCC's and SCC's activities are currently excluded from the two Council's work yet consumer considerable resources and provide essential support to the principal activities. This warrants them a separate appearance in the work plans for the NCC and SCC as well as those of the WCC and CEG.
9. THE MANAGEMENT OF FINANCIAL RESOURCES

9.1 Introduction

259. The financial regime of any organisation is the means by which it is financed and its expenditure monitored and controlled. In the case of the NCC and CEG it will, of necessity, be a reflection of:

- the DTI's objectives for the Council and the expression of these in the annual PES round; and,

- the NCC's and the CEG's own objectives and constitution and the legislative and financial constraints that these might impose.

260. Within these broader constraints, the most appropriate financial regime should also reflect:

- organisational scale, in particular, the size of the NCC in terms of overall expenditure and the translation of this into a financing need;

- organisational complexity; in particular;
  
  - the extent to which there are distinct legal entities (NCC and CEG) having prior call on funds and requiring minimum levels of financing;

  - the nature of the 'business' and the extent to which there are distinct and separate business areas with different objectives, markets and working practices and different patterns of expenditure and funding profiles;

- the potential sources of funds, be they Government or from some external source. Where there is potential for external funding there should be a realistic assessment of the source and size of these.

261. Within the context of the above the NCC is, in our view, a simple financial operation:

- total expenditure is below £3.0m;

- the cost structure is simple, the main expenditure item being staff related costs. Staff complement is also a 'given' in that the Department has only limited discretion about the numbers and grades of staff employed;

- there are minimal assets and stocks; and,
the NCC produces relatively simple ‘products' which is part reactive (30% of staff time is allocated to reactive project work) with the balance (70%) within the direct control of the NCC and forming part of its planned work programme in support of the Council's strategic objectives.

The overall financial regime should, as far as possible, reflect this basic simplicity of need.

262. The situation with the CEG is similar, though its total expenditure is usually of the order of £195,000 and its work tends to be much more reactive than the NCC's work profile. Its cost structure is the same as the NCC’s as it operates on the same Government chart of accounts.

9.2 Our Approach

263. It is against this backdrop that the we have reviewed the current financial regime of the NCC and the CEG. We have structured our review around three discrete areas of financial activity:

• its funding requirements and the potential sources of these funds;

• the financial accounting systems and the financial policies and procedures used to ensure financial probity; and,

• the management accounting, budgeting and reporting systems used to inform management decision making and monitor and control financial and operational performance.

264. Our assessment of the systems used in each of these areas has drawn on interviews with key members of staff, examination of prime accounting documents and examples of reports and, where appropriate, analysis of financial data. Each area has been assessed in the light of:

• how well they support the NCC and CEG in the achievement of its objectives and the corporate planning process is linked to their budgeting processes;

• whether they support the cost effective use of grant in aid; and,

• whether they provide management with the necessary management accounting and performance measurement information to aid cost effective decision making and a means of assessing their performance against plans.
265. We have also born in mind a number of principles of financial control and management reporting that represent current best practice;

- integration of systems; although we have talked of financial and management accounting systems as independent systems with different objectives in practice, particularly when computerised, they should be fully integrated, using the same base accounting data. It is therefore helpful to view financial control and the provision of management information, on both costs and revenues, as an integrated whole and not as a collection of fragmented systems designed for specific user needs (e.g. commercial accounts as something completely separate from cash accounts);

- financial systems as full 'business' systems; it is also helpful to view an integrated financial system as potentially providing a flexible and dynamic picture of overall organisational performance. For this to be done effectively means integration of financial data with operational data, such as staff time spent on projects, project outputs, employee headcount; and,

- maximisation of system access and reporting capability; the system should not just be seen as a means of regularly reporting on financial results to external stakeholders, but as a fundamental aid to management in its delegation of decision making and the monitoring of individual management performance. This means having the capability to tailor the scope, frequency and content of these reports to individual management needs.

266. Our review of the overall financial regime is presented in the form of:

- a brief description of the significant aspects of the current systems covering the three areas of financial activity;

- an interpretation of whether the systems meet the criteria and principles outlined above; and,

- where appropriate recommendations for systems improvements and enhancements in capability or, often more importantly, changes in the way that systems are viewed and used.

267. In all of the discussion below, references to the Council cover the generic council (NCC, SCC, WCC) and CEG. This is because the financial management of the three Councils and the CEG is currently established to fulfil the requirements of government accounting practices to which they are all subject. Where practices actually differ between the different entities these have been highlighted.
9.3 Financial Regime

i. current situation

268. The Council is almost wholly funded (96%) through grant-in-aid from the DTI. Income generated from other sources (grants and commercial activities) has always fluctuated in the range 2-7% of total income.

269. Generation of funds from non-governmental or commercial sources is not seen as a primary activity of the Council. Fees and charges for products and services are made and the Council has entered into joint initiatives with a number of independent grant giving bodies. It is also actively discussing, with a potential commercial partner, the opportunities available for creating a trading company to carry out consultancy activities at a profit.

270. Recently, the DTI proposed that the Council's funding be radically restructured, with one option being tested being 50% of the grant-in-aid might be replaced by funds from other sources phased in over a period of three years. The Council has responded to this proposal with its own proposals for the raising of funds and/or costs savings. In summary these are:

- a significant change in the funding base from government to other sources could undermine the Council's and the CEG's independence and fundamentally alter their role and function. This is not a development that we would recommend given the role and function which the NCC is established to perform;

- a number of issues concerning the effects of income generation on existing grant-in-aid conditions needed to be resolved in discussion with the Treasury (e.g. the possibilities of clawback, options for carry forward, possible restrictions on the purposes to which the money might be put) before the Council and CEG can effectively assess their best course of action; and,

- the Council's and CEG's work is not of a commercial nature, its primary market being Government, policy makers and other public sector bodies. Some private sector organisations are targeted by the NCC. Furthermore, the time taken to develop commercial products or services would require significant investment of time and resources and potential organisation restructuring before any results were seen.

It is our view, as set out in section 4.3 paragraphs 68 to 72, that the significant generation of additional income by the Council in the short to medium term is not a realistic prospect.
271. These proposals address a number of related though distinct issues. The first is clearly a matter of policy for Ministerial decision and revolves around the precise meaning of 'significant'. The second questions how the 'multiple' funding regime might be administered and its early resolution is clearly fundamental to whether it is in the Council's and/or the CEG's interest to pursue non-government funding. The third addresses the question of the nature and size of the 'market' in which the Council and CEG operate.

272. To date the response from the Treasury on the second issue has been positive in that income generated will not be 'clawed back'. A discussion is still required, however, as to the definition of 'core' which the Treasury use in this respect as the NCC's strategy on income generation is that they will only seek to generate income for work which they consider to be within the legal power and which is a strategic priority.

ii. interpretation

273. Our discussion in section 4.3 on the funding of the Council concluded that, given their current aims, the NCC and the CEG will need to be primarily and substantially funded by the DTI. On the basis of the information available to us, we consider that the target of 50% external funding in 3 years is unrealistic and that income generation from other sources will always be limited. However, we also believe that the Council probably operates in a more sophisticated 'market' than it realises and that the problems and risks associated with the development of this market may be overstated.

274. One of the problems with the current debate is that in the absence of any real strategy or tactics for income generation there is no clear idea of what market does exist for the various products and services that could be offered. The basic building blocks for any form of market assessment or pricing or promotion of products or services hardly exists. We also believe that income generation should be seen not as some specific, dedicated activity totally divorced from the main function of the Council, but as a natural aspect of any of the projects that the Council undertakes. Viewing income generation in this way has the benefit of:

* promoting the full integration of all aspects of finance, both costs and revenues, as a management responsibility;
* promoting the idea of income generation as not merely an alternative source of funds but as a way of helping to assess and capture information on the market; for example:

  - the level of 'consumer' interest in a particular topic and the level of priority that the wider public give it;
  - the level and range of influence that the Council has as its market; and,
- the quality and accessibility of the Council's outputs;

- providing an input to the planned enhancement of costing and, by implication, the pricing capabilities of the management accounting system.

275. If viewed in this way assessment of income generation potential is an integral part of the initial work programme/project appraisal process. Part of this appraisal/priority setting process would be an assessment of the subject matter's sensitivity and the risks of the Council's independence being prejudiced if the project is funded externally.

iii. recommendations

276. In developing its approach to income generation we recommend (Recommendation 33) that the Council should:

- introduce a precise costing of products and services and the development of a pricing formula;

- increase budgetary devolvement of cost and revenue responsibilities including the generation of income;

- develop a finance and accounting system that will allow for the separate accounting of income streams and where necessary provide the reporting and performance management data which providers of income aside from the DTI might demand;

- systematically collect market research data about the existing products and services and other potential sources of finance. Actual development of products only follows this once is available and understood;

- maximise the potential income generation from existing products and services; and,

- include marketing and sales actions as an integral part of all project plans.

By following this approach, the Council initially puts in motion a policy of 'letting the market decide'. In this way, the 'significant' element of funding from external sources ceases to be a fixed amount and becomes something that reflects market realities and will be inherently flexible.

277. In our view, integration of income generation estimating into the basic resource planning processes is fundamental to the NCC's and CEG's improved effectiveness in the use of their resources and the enhancement of their financial systems. This argument does not change the basic position that the DTI will remain the primary and substantial source of income.
9.4 Financial Accounting Systems

i. current situation

278. The Council and CEG currently run a simple government cash accounting system. Historically this has been a manual system, however, the Council has recently purchased a computerised system (SAGE Software cashbook and nominal ledger) that is in the process of being installed. This will be proven in London before it is introduced into the SCC and WCC offices. As far as we understand it is not intended to introduce it into the CEG office. The significant features of the existing cash accounting system are:

- it accounts for income and expenditure by category under a number of sub headings under a single column book keeping system with a monthly process of reconciliation;

- the total budget for the year is set by the grant in aid figure. This figure, plus projected income generated from other sources, is then allocated to expense categories. The Council's rate of spend against the budget for each expense category is then monitored throughout the year through monthly accounts prepared for the Directors and Chairmen and quarterly accounts prepared for submission, through the finance committees of the three Councils, to the DTI as part of the proof of need process for payment of the DTI grant-in-aid;

- financial accounting is largely centralised with the NCC being responsible for:
  - consolidation of financial accounts
  - quarterly reporting to the DTI
  - payroll and pension calculations; and,
  - any virement between budget heads;

- the SCC, WCC and CEG process a number of regular transactions (such as rent and rates) and the more minor transactions (travel and subsistence claims, invoice payments) locally using manual systems or computer based spreadsheets;

- extensive audit imposed controls exist for the actual authorisation of expenditure and signing of cheques; and,

- because of its legal status as a Company, the Council is also obliged to publish full commercial accounts. These are currently compiled by external auditors based on information on outstanding commitments provided manually by the Council's finance staff. There are no material differences between the cash and commercial accounts.
279. The financial accounting system is geared to the control of cash and the monitoring of spend to ensure that the Council does not exceed its grant in aid budget. The system has been successful in supporting the Council in the achievement of this limited objective; the Council has not exceeded its budget nor has it had any audit qualifications regarding use of public funds.

280. If the Council were only concerned with cash control and monitoring of expenditure the existing system would be perfectly adequate. If anything the levels of controls associated with authorisation and monitoring of expenditure are probably excessive for an organisation of the size of the NCC.

281. However, we consider that the existing manual cash accounting system has a number of weakness. These have also been recognised by the NCC itself and the DTI's internal auditors. The principal weaknesses are:

- lack of commitment accounting;
- minimal phasing of budgets and cash flow analysis;
- very simple coding structures that provide only rudimentary levels of analysis; and,
- the lack of integration between the cash and commercial accounting systems.

282. In part these will be addressed with the installation of the SAGE computer system. However, we believe that there are opportunities for addressing not only the financial accounting issues highlighted above but also in the need for management accounting and financial performance indicators. Before we make any recommendations regarding the financial system the existing management accounting should be understood.

9.5 Management Accounting, Budgeting and Performance Management Systems

i. Current situation

283. A basic budgeting process that progressively builds up towards the calculation of annual PES requirement is in operation. This budget setting process is a combination of 'top down' budgeting, based on the strategic objectives identified in the Corporate Plan, and 'bottom up' costing based on the projected work programmes of department managers. The budget process is initiated by the finance committees of the three Councils and the CEG. It is based on:
estimates made of potential grant in aid adjusted for any known increases in expenditures, such as rent and rates, or through the addition of an inflationary factor to other costs;

estimates made of income from other sources other than the DTI’s grant-in-aid, to arrive at a potential total income;

estimates of the total resource required to deliver the work plans of each Council and the CEG for planned and reactive work to which is added the cost of administration and the Councils, sub-committees and members;

the costs of the existing staff complement; and,

programme expenditure costs which make up the remainder of the total income.

284. As part of the corporate planning process, the NCC corporate plan also includes a forward financial plan for three years and a two year historical review.

285. Historically, this budget was held and monitored at the level of the generic Council with the SCC, WCC and CEG calling off finance when they require a further ‘topping up’ of their bank account. The NCC has recently introduced departmental budgets at the London office with separate budgets for policy research, consumer support and communications and campaigns. As the staff complement of the NCC and the CEG is effectively fixed, by the DTI on the basis of staff inspections, the expenditure categories which the Heads of Department control are limited to such items as commissioned research, printing, travel, training, postage and stationery. Despite its very limited scale, this initiative is nevertheless to be welcomed as a step in making people more aware of the costs they generate and the value for money which they provide.

286. The SCC, WCC and CEG have remained as single, separate budgets, though with some of the work programme budget now being devolved to senior policy and development staff for management. We consider that any significant devolution of financial responsibilities within the SCC, WCC and CEG would be inappropriate in organisations of their size and spend.

287. Reports on expenditure outturn against budget (the management accounts) are provided on a monthly basis to senior management in the London, Glasgow and Cardiff offices and to the finance committees of each of the three Councils. The CEG produces similar accounts for its Secretary and Chairman on a monthly basis. A quarterly financial return and forecast of expenditure for the coming quarter (the so-called ‘proof of need’) is made by the generic NCC to the DTI for the payment of DTI grant-in-aid.
288. The existing accounting system offers little in the way of additional management or performance related information. Work projects have staff time nominally allocated to them and small amounts of work programme expenditure. There is the capability to monitor this though only the work programme budget that is monitored on a regular basis. Beyond this the existing system has very little capability to offer a continuous analysis of costs by:

- **project**; there is no long-term (beyond a year) accumulation of project costs that would allow the 'programme' costs (costs of related projects) associated with a particular policy initiative to be calculated;

- **function/strategic policy priority**; costs cannot be analysed by specific policy, they can only be collated in aggregate at departmental level in the NCC.

- **fixed/variable, direct/indirect**; the capability exists to do some basic analysis of cost types for pricing purposes. However, these exercises have to be done on an ad hoc basis and are crude and time consuming and difficult to compare over time.

289. Performance monitoring at the moment is largely confined to control of spend against budget. There is little evidence of management use of other types of financial performance indicators. We would anticipate that an organisation such as the NCC should have in place a portfolio of:

- **financial indicators**; the capability exists to analyse costs by category. However, there is no evidence that these are used as targets in the planning process (e.g., administration cost should only be X% of total income; research and policy work should be a minimum of Y% of total income). Other financial indicators such as unit costs, costs per employee are not used; and,

- **basic value for money efficiency measures**; e.g., output measures per 'head', outputs per £ income generated, costs of project inputs to particular outcomes, the relative costs of in-house services versus external suppliers. We have previously noted the caution with which such indicators, particularly output per head of £, should be employed;

290. The NCC accepts that it needs to identify relevant performance indicators and they are now actively examining the options available to them. They recognises that appropriate measures for a 'policy' related organisation are always difficult to define though are seeking to develop and use such indicators. The CEG is less certain of the possibility of developing and using indicators which are of value to their organisation. Nevertheless we believe that more should be done in this area and it be accepted that any chosen indicators will only be indicators of performance not definitive measures.
ii. interpretation

291. The existing budgeting and management reporting system reflects the historic focus on annual financial reporting. There has been very little demand for sophisticated analysis of expenditure and costs because the overall control within the Council has been based on the management of the grant in aid budget. Within this budget the Council had the ability to switch resources according to changing priorities or consultation submissions. Such changes historically were minor and did not have to be justified on any cost/benefit criteria. Finally, the limited sophistication of analysis also reflects the physical limitations of the old manual system.

292. To an extent the main constraint/control is still the overall grant in aid budget and this could still be used as the main financial and performance control. However, we believe that it is in the Council's interest to accept that the demands made on the NCC and CEG are increasing and that management increasingly is going to have to be in a position where it has to analyse and make decisions about trade-offs between the different uses to which limited resources can be put. There is also going to be a greater need for better information to enable the Council to professionally explain and present its case to those who are funding it. Evidence of these pressures already exist through:

- increasing work demands on the organisation (an ever widening scope of consumer activities and more reactive work);

- the growing importance of the corporate plan as a means of defining the Council's relationship with the DTI and providing the basis for medium to long term assessment of performance. This means that the Council will have to look beyond annual accounting concerns and more at longer term costing of activities;

- DTI proposals concerning the opportunities for the generation of income;

- a significant reduction in funds (15%) for the year '94/95. Although this should not be taken as evidence of permanent reductions in grant-in-aid, it does demonstrate that funding could be subjected to significant fluctuations annually;

- continued government emphasis on outsourcing and the need to make detailed comparisons of the internal costs of providing services in relation to the value and prices available from the private sector; and,

- the need for a suite of relevant and appropriate performance indicators covering both financial and operational factors.

It is essential in our view that the new processes and systems are introduced for the management of the NCC's and CEG's finances.
9.6 Recommendations

293. We recommend that the Council:

i. installs a commercial accounting package, which enables the preparation of commitment accounts and cash flows, proceed but in an enhanced form with potentially greater functionality (Recommendation 34); and, that,

ii. the commercial accounting system, rather than cash accounting system, be the driver of the overall 'financial' regime (Recommendation 35).

This would enable the NCC to generate proper financial management information and indicators and would also enable the Government's requirements on cash accounting to be simultaneously met. The Council is already moving in this direction and our recommendations do not represent any radical shift in policy, merely a shift in emphasis and an elaboration of the functionality that the system should have.

294. This new commercially based financial and management accounting system should have the functionality to:

- produce commitment accounts;
- provide integrated cash and commercial accounts;
- provide cash and budget profiles of spend;
- analyse total costs and provide cost analyses of:
  - projects or programmes (where a number of linked projects run over a period of time);
  - strategic policy priorities;
  - functional or organisational entities;
  - the relative costs of internal and external resources; and,
  - direct, fixed and variable costs and how this affects the total and unit costs of particular activities.

This cost data should inform and provide quantifiable indicators for the corporate planning process and evaluation criteria for use in priority setting. It will enable the Council to:

- account for revenues from potentially different sources (government, commercial, other grant giving bodies) and provide any performance related data that income providers might require;
• provide financial performance indicators such as project cost, unit costs where appropriate, 'outputs' per head, expenditure analysis by category (for example, the % of grant-in-aid spent on administration); and,

• provide flexible exception reporting capability. There should be a shift towards a more quantitative basis for managing the relationship with the DTI, rather than the current financially oriented controls.

295. Installation of an accounting system as above will enable management to directly address issues concerning:

• value for money and the cost implications of different management actions;

• assessment of alternative sources for services and activities;

It will also allow increased delegation both internally and in relation to the DTI (management should be able to make a case for increased flexibility in the control of staff).

296. We believe that in view of the scale of the Council's operations that the resources required to run the above system, after the initial set-up installation and training, should be capable of being provided by the existing staff complement.
10. THE SOURCING OF SERVICES

10.1 Current Policy And Practices

297. The NCC and CEG both make use of external organisations for the provision of a number of services across the whole organisation. These include, together with indications of expenditure based the 1994/95 work programmes, are:

- research contracts with external organisations and bodies (£24,500 in NCC and negligible amounts in SCC and WCC);

- payroll services for all staff in the NCC, SCC, WCC and CEG organised by the NCC as formal employers of all staff;

- various printing and publishing activities and services depending upon the requirement of the particular job (some £55,000 across the three Councils in 1994/5);

- a range of buildings related services, typically provided by the landlord or their managing agent and/or local contractors:
  - reception and security
  - buildings maintenance
  - cleaning
  - facilities management
  - catering

- specialist communications services:
  - speech writing (£4,000)
  - libel reading (£6,000)
  - parliamentary services (£7,500)
  - media database services (£1,800)
  - press cuttings (£5,000)

- market research (£8,000)

- translation services (required in Wales, £2,750)

- professional services:
  - recruitment advertising
  - legal and professional fees
  - accounting services (£11,100)
As a result of the way in which the reduction in 1994/95 budget was applied, the extent of contracted out work will decline. This is principally due to a reduced use of external research contractors.

298. It should be noted that the level of externally commissioned research in 1994/95 will be considerably lower than in previous years. In 1992/93, the generic NCC commissioned research to the value of £433,000 against a total staff and commissioned research expenditure of £1,867,000, that is some 25%. In 1994/95 the figure will be closer to 10%. We have already, in section 7.1, sub-heading 6, paragraphs 118 to 122, commented on the tactical nature of decision making on the reductions necessitated by the recent grant-in-aid reduction of which this reduction is an example.

299. Despite the considerable use of external contractors in many support services and some core service processes (policy research, market research and parliamentary lobbying) there is no formal policy on contracting out services. We do not see this as a particular problem. Revised guidelines have recently been issued on commissioning external research and a new guide on ensuring that best value is obtained in procuring publications is available. The efficiency of the internal publications, including reprographics, activities was also reviewed by external consultants during 1993. What is necessary is that the issue of the sourcing of services is fully debated in the preparation of the corporate plan and that budget holders revisit regularly, at least every three years, the question of whether there are any areas of their budget responsibilities which could be more cost-effectively provided by an external service provider.

300. The areas in which this may be of particular value, based on our knowledge of the market testing and contracting opportunities that currently exist, are:

- research projects - should and could the NCC become a research commissioning organisation rather than a research body and what would be the impact on the quality of research as well as the costs of research?

- administrative support services - there is currently a very active market for reprographics and secretarial services, is this an area in which a Facilities Management company could provide these, and other support services such as payroll and buildings, services?

These areas should be reviewed as part of the preparation of the next corporate plan. If there appears to be any potential benefit from buying these services from an external source of supply, market tests of each area should be carried out.

301. In pursuing these opportunities, in an organisation the size of the NCC, especially its Scottish and Welsh offices, and, particularly, the CEG, the scope for financial benefits from contracting out services are often limited due to the costs of setting up and managing the contracts. The benefit tends to be in providing services which it is uneconomic for the organisation to maintain the necessary skills, competencies and infrastructure to provide itself.
302. In addition, the most effective means and supply of published materials needs to continue to be addressed continuously on a jobbing basis, as is the current practice, to ensure that best value is received.

303. The CEG is a special case in that it is almost purely a research and information providing organisation with only minimal internal support services. These are mainly provided by one person who undertakes almost the full range of office, administrative and financial services for the staff and the CEG Member Group. The scope for further contracting out services, other than those payroll and accounting services provided through the NCC and those building related services provided through the landlords and their agents will be negligible. Those services provided by third parties to the CEG, through the channel of the NCC, will need to be reconsidered by the CEG becomes fully independent of the NCC.

304. The potential for increasing the amount of the research commissioned from the external world is very limited, if not non-existent. The research undertaken covers a very wide range of topics and is spread across the senior policy and development officer and the Secretary. The variety of their work would make it very difficult to specify the requirements and to identify appropriate contractors. The part time researcher focuses on food issues and that work might be able to be market tested. The benefits of so doing, allowing for the cost of the competition and contact management, are unlikely to be substantial.

10.2 Recommendations

305. We recommend that the NCC and the CEG, in preparing their corporate plans and annual work programmes, review formally the potential for outsourcing services (Recommendation 36).

We noted in section 7.5 (iii) the need to incorporated a discussion of resourcing strategy and allocation within the corporate plan. This should not only review the source of funding for the work of the Councils and the CEG. It should also review the opportunities available for sourcing the required services. This should be done at the level of the total activity and its constituent parts. In doing so, the following set of criteria might prove useful:

- **practicalities**
  - ability to specify service requirements
  - ability to monitor performance of contractor
  - market existence and maturity
• benefits
  - opportunities for reducing costs of service
  - opportunities for increasing standard of service
  - scope for service innovation

• risk
  - impact on NCC's/CEG's core competencies
  - ability to respond rapidly to changing service requirements
  - risk of contractor failure or under performance
  - risk of technological "lock in"
  - security and confidentiality issues
  - commercial risks of escalating costs

These criteria are very robust and have been successfully used in assessing the opportunities for market testing in a wide range of organisations with very different services.

306. We recommend that, in the first instance, the NCC should review the opportunities for sourcing their research and administrative support services from external sources (Recommendation 37).

These areas should be reviewed as part of the preparation of the next corporate plan. If there appears to be any potential benefit from buying these services from an external source of supply, market tests of each area should be carried out.

307. We recommend that the CEG review the sourcing of its payroll and accounting services, with a view to procuring a continued service when it becomes fully independent of the NCC (Recommendation 38).

The move to a fully independent status for the CEG will require that the current arrangements for the payroll and accounting service provided through the NCC - by an external supplier in the case of the payroll - are reviewed. The aim should be to procure the provision of payroll services, through an external supplier, with a direct relationship with the CEG. The future for accounting services is less clear. The likelihood is that the role will need to be taken fully into the CEG, who carry out most of the actual activity at present except the submission of reports to the DTI - though they do provide all the information for such reports. The exception will be the commercial audit service provided through the NCC. This should be renegotiated, with the external supplier continuing to provide the service direct to the CEG if an appropriate cost can be agreed.
APPENDICES

A. Consumer Affairs Division objectives
B. Other governmental organisations in the consumer field
C. The nature of consumer organisations
D. The mission and aims of the NCC
E. The mission and aims of the CEG
APPENDIX A:
Consumer Affairs Division
MINIS statement

"To help promote a trading environment which:

(i) includes effective safeguards against unfair trading practices and unsafe goods and services thereby promoting consumer and business confidence;

(ii) provides consumers with timely and accurate information so enabling them to choose goods and services appropriate to their circumstances and thereby promoting effective competition; and,

...to achieve this at the lowest practicable cost of compliance and enforcement."

Sub-Objectives

A. To seek effective and non-burdensome ways of improving the protection of consumers against unfair trading practices and unsafe goods and services.

B. To ensure that proposed EU directives in the field of consumer protection do not result in excessive regulation and are compatible with the principle of subsidiarity.

C. To improve the arrangements for enforcing consumer protection by making them more effective and more uniform and consistent in their application whilst keeping to a minimum the costs of compliance and enforcement.

D. To act as a focal point on consumer matters, domestically and internationally; to respond to requests for information and advice; and to ensure that the consumer interest is taken into account in the policy of the Division and Department.

E. To ensure that consumers' interests are represented by effective independent organisations and to monitor their funding so as to ensure value for money.

F. To ensure that Government policy and proposals on consumer issues are presented clearly and effectively to the public.
APPENDIX B:  
Other Governmental Organisations in the Consumer Field

The DTI and its Consumer Affairs Division are not alone in their interest in the views and needs of consumers. A number of other Government Departments and Governmental bodies have an interest in the consumer perspective:

1. Other Government Departments and their Agencies are:
   - advisers to Ministers and formulators and presenters of policy in respect of a wide range of consumer issues, covered only in general terms by the DTI (see below)
   - direct providers of services to consumers, for example the DSS, the Employment Department Group, the Revenue Departments and the Department of Transport (also an indirect provider)
   - indirect providers, for example, the:
     - MAFF
     - DfE, through the providers of education of all kinds, including consumer education, to a very wide range of consumers both parents, governors and pupils
     - DoE, importantly through local authorities but also through other bodies
     - FCO who, with the DTI and MAFF, are concerned with the effect on consumers of EU and international trade policies
     - DoH, mainly through the NHS but also through its funding of such public bodies as the Health Education Authority
     - the Home Office and Lord Chancellor's Department in a variety of guises, including the provision of justice, policing and prisons
     - the territorial Departments, across the whole range of consumer affairs
     - a high proportion of the 92 Executive Agencies (and the 20 under consideration) are providers of services direct to consumers or indirectly affect consumers

2. the Office of Fair Trading which administers fair trading and competition legislation independently from Government. Its quasi-judicial position prevents it from representing consumers
3. numerous other Public Offices, such as the National Audit Office and Audit Commission, the Building Societies Commission, the Law Commission, the Health and Safety Commission, the Monopolies and Mergers Commission - but a few from a list of some 140-150 most of which, in one way or another, affect consumers, albeit in an industry - a service - or issue-specific way.

4. the NICCs in relation to the remaining 9 nationalised industries and, with the regulators, to the privatised utilities. Their perspective is naturally confined to consumers and small businesses in their particular industry. They cannot be expected to provide an overall consumer perspective.

5. the regulators themselves who have to balance the interests of their industry (producers) and industrial, commercial and domestic consumers. They cannot therefore represent the consumer interest fully or outside their particular industries. It is important, however, to note that, of the 60 listed ombudsman and consumer protection agencies, inclusive of broadcasting and Cable, 53 are specific either to a relatively narrow industry (eg telecommunications, water, gas, electricity), service (eg health, transport, local authorities, securities, investment or pensions) or issue (eg the Data Protection Registrar).
APPENDIX C:
The Nature of Consumer Organisations
## ANNEX C2 - Style of Operation of Consumer Organisations

<table>
<thead>
<tr>
<th>Consumer Body</th>
<th>Policy Research Capability</th>
<th>Provides Public Information</th>
<th>Guides Access to Goods and Services</th>
<th>Aids Access to Redress</th>
<th>Proactive Role in Providing Advice to Individuals</th>
<th>Promotes Consumer Representation where Inadequate</th>
<th>Proactive Role in Availability of Advice Services</th>
<th>Lobbyist</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFT</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>MMC</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Self Regulation/ Ombudsmen</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>CBI</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Local Authority Trading Standards</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Limited</td>
<td>No</td>
</tr>
<tr>
<td>NICCA</td>
<td>No</td>
<td>Yes - but limited to industry</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Specific Issue Groups, eg pensioners</td>
<td>Limited</td>
<td>Yes</td>
<td>Limited</td>
<td>Limited</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>Yes</td>
</tr>
<tr>
<td>National Federation of Consumer Groups</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Limited</td>
<td>No</td>
</tr>
<tr>
<td>CA</td>
<td>Yes, but orientated, to members' interests</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NACAB</td>
<td>Yes - but limited</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>NCC</td>
<td>Yes</td>
<td>Yes</td>
<td>Limited</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### ANNEX C3 - Spread of Potential Sector Interest of Consumer Organisations

<table>
<thead>
<tr>
<th>Consumer Body</th>
<th>Freedom to address broad consumer issues in:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
</tr>
<tr>
<td>OFT</td>
<td>No</td>
</tr>
<tr>
<td>MMC</td>
<td>No</td>
</tr>
<tr>
<td>Self Regulation/Ombudsmen</td>
<td>No</td>
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<tr>
<td>CBI</td>
<td>No</td>
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<tr>
<td>Local Authority Trading Standards</td>
<td>No</td>
</tr>
<tr>
<td>NCCs</td>
<td>No</td>
</tr>
<tr>
<td>Specific Issue Groups, eg pensioners</td>
<td>No</td>
</tr>
<tr>
<td>National Federation of Consumer Groups</td>
<td>No</td>
</tr>
<tr>
<td>CA</td>
<td>No</td>
</tr>
<tr>
<td>NACAB</td>
<td>Yes</td>
</tr>
<tr>
<td>NCC</td>
<td>Yes</td>
</tr>
</tbody>
</table>
APPENDIX D:
The Mission and Aims of the NCC

The mission of the NCC, as set in the Memorandum and Articles of Association are:

"to promote action furthering and safeguarding the interests of consumers, to ensure that those who take decisions which will affect the consumer can have a balanced and authoritative view of the interests of consumers before them and to insist that the interests of all consumers including the inarticulate and disadvantaged are taken into account."

[Memorandum and Articles of Association, 1975, p.12]

These are expanded upon in the corporate plan into the 'seven-point aims' of the organisation:

- promoting action to further and safeguard the interests of consumers, including the inarticulate and disadvantaged;
- representing the views of consumers to all levels of government and industry on any issue of concern, including existing laws and proposed legislation;
- representing the consumer on government bodies or other relevant associations;
- promoting consumer representation in the nationalised industries and privatised utilities;
- commenting on the adequacy and availability of consumer advice services;
- advising ministers on consumer issues; and,
- publicising information of concern to consumers and advising on consumer issues.

[NCC, Corporate Plan 1993 - 96, p.9]
APPENDIX E:  
The Mission and Aims of the CEG

"The CEG aims to assist its members with -

- monitoring of EC development
- research
- co-ordination
- information
- representation

on EC policies affecting UK consumers."

[CECG, About CECG, 1993]

"CECG aims to:

- carry out research on the effects of EU policies and proposals on UK consumers
- enable its members to reach collective views on EU matters affecting them
- represent those views to Government, the Commission, the UK and European Parliaments, the Economic and Social Committee and others
- brief UK consumer members of EU advisory committees"

[CECG, Annual Report, 1993]
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- raising short-term performance
- using information effectively
- harnessing the power of technology
- achieving sustained customer satisfaction
- realising the potential of people

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