

CORPORATE STRATEGY AND 2010/11 BUSINESS PLAN

The Company

The Ombudsman Service Limited is a not for profit company. Its purpose is to administer ombudsman services in accordance with its established Articles of Association and Terms of Reference for individual industry service sectors.

The Ombudsman Service Limited operates using the name 'Ombudsman Services' (OS) and will be referred to as such throughout this document.

The Ombudsman's purpose is to consider complaints made by the customers of service members. The service is free to complainants and independent from industry, consumers and regulators.

Ombudsman Services currently administers four separate schemes. Otel, the Office of the Telecommunications Ombudsman was established in January 2003. It provides complaint resolution for the domestic and small business customers of public communications providers that are members of the Service. The Service is an approved scheme under Sections 52-54 of the Communications Act, 2003.

The Energy Ombudsman began on 1 July 2006 initially as a voluntary scheme for energy suppliers. In July 2008, the Energy Ombudsman was approved by Ofgem as the sole provider of redress in the Energy industry under the Consumer Estate Agents and Redress Act (CEAR) 2007. From 1 October 2008 the service expanded to provide redress for both the domestic and small business customers of all supply and network providers holding a relevant licence.

The Surveyors Ombudsman Service (SOS) began on 1 June 2007. The Service was established to provide alternative dispute resolution services for the Royal Institution of Chartered Surveyors (RICS) regulated firms. In August 2008 the service was approved by the Office of Fair Trading (OFT) to run, from 1 October 2008, an approved estate agent redress scheme under the CEAR Act, 2007. The scheme will change its name to 'Ombudsman Services: Property' from 1 April 2010 and will be referred to as such in this document.

All three of these Ombudsman Services are full voting members of the British and Irish Ombudsman's Association (BIOA).

In August 2009, an ombudsman scheme for *PRS for Music* was launched. This service resolves complaints between *PRS for Music* and those who may require or have obtained a licence for the public performance of music.

The Council, which is the Non-Executive Board of Ombudsman Services, consists of nine members, six of whom are independent of the service sectors. Its primary role is to appoint, maintain and safeguard the independence of the Ombudsman. The Council is also responsible for setting and monitoring the key performance indicators and for approving the annual business plan and budget.

The Service is funded by its industry members. There are three industry Member Boards. The primary purpose of each Member Board is to review and monitor the overall performance of that part of the business and to set the fees for each individual industry sector.

Strategic Aims:

- We will provide a quality service of dispute resolution for our members and their customers, through a well trained and motivated workforce.
- We will promote the ombudsman model in other private sector industries and grow the business where it is clear that by doing so that we will increase our flexibility and resilience.

Values:

In achieving our aims we will ensure that we meet the BIOA principles of good governance.

- **Independence:** We will demonstrate the freedom of the ombudsman from interference in complaints handling.
- **Effectiveness:** We will demonstrate that we deliver the right outcomes and represent good value for money.
- **Openness and Transparency:** We will promote openness so stakeholders can be confident about our Services.
- **Accountability:** We will ensure that we are responsible and accountable for our decisions and actions, including our independence and stewardship of funds.
- **Integrity:** We will ensure that selflessness and objectivity are embedded into all we do.
- **Clarity of Purpose:** We will ensure that stakeholders know why our Services exist, what they do, and what to expect.

Strategic goals 2009/10 to 2011/12:

We shall:

- Provide best value to members and meet the need of consumers.
- Achieve high levels of overall satisfaction with the service among members and consumers.
- Maintain and seek to further develop ease of access and ease of use the schemes we operate.
- Promote customer and stakeholder awareness of the schemes we operate.
- Meet the requirements of industry sector regulators and achieve re-approval.
- Maintain the Member Boards' confidence in our stewardship of resources by demonstrating value for money and efficiency gains.
- Continue to promote the reputation of Ombudsman Services as a provider of independent, high quality, proportionate dispute resolution to the private sector.

- Safeguard the sustainability of the business by expansion, where it can be shown that there will be measurable benefit to existing members.

THE YEAR AHEAD

Ombudsman Services: Process Improvement and Quality Assurance

With lessons learned from 2009/10, the ability of each scheme to achieve the required level of performance will be our key priority for the year.

The ratio of enquiry to complaint can vary significantly from year-to-year and within year. We will drive down outside terms of reference (OTOR) contacts and improve Inside Terms of Reference (ITOR) contacts. This will be achieved by making improvements to communication tools and by developing more accurate signposting protocols with partner agencies such as Consumer Direct.

We will examine the differences and similarities between our schemes and establish if we can improve what we offer by differentiation.

A process review has been completed and we will assess and take forward the recommendations which will improve efficiency.

We will ensure that complaints are resolved as early as possible.

We will extend to the scheme of delegation and develop new systems for guidance, consistency and quality assurance. We will review the learning to achieve demonstrable efficiency gains of at least 2% over the coming year.

We will ensure the re-approval of Otelco and the Energy Ombudsman and react positively and appropriately to each regulator's recommendations.

Expansion of the Service

If the service stands still it is likely to cost more for its members. Growth is an option that should be considered to create a better service for existing members and enable costs to be kept low. Expansion brings increased resilience and flexibility in resources and mitigates risks to existing schemes.

To facilitate this, we will identify sectors which could provide growth opportunities for the Service. We will look at the ways in which we interact with stakeholders and improve our profile with policy makers. In addition to large schemes, like those currently operated, we may respond to approaches from smaller industries if the business case stands up.

Our relevance test for taking on new business has changed from 'a large tangible benefit to existing members' to 'measurable benefit to existing members'. We will be very clear on our criteria for taking on new business in order to gain appropriate support from the Member Boards.

We will ensure that the cost of winning new business will have no adverse financial impact on existing members.

Staff

We will build back-in some support for the staff in terms of quality and training, plans for which were deferred in 2009/10. Our personnel consistently go above and beyond what is required and we must send some tangible signals of appreciation and support back to them. We have limited capacity for policy, research and development, knowledge management, project management, technical expertise and services to the Council and Member Boards. We will seek to address this.

Performance

To achieve performance targets in each sector, processes will be streamlined, and more resilient to fluctuations in volume and there will be increased consistency and reliability in the quality of the output. Ombudsman Services will be well known as a professional and effective provider of dispute resolution services and the model will be the one preferred by government and regulators.

Otelo

Ofcom has informed us that it is about to start its long-promised review of Otelo and CISAS. Its work will probably start in April 2010, and as with earlier reviews it will hire an external consultant to assist it, to answer the question of whether Otelo and CISAS currently have appropriate procedures in place to ensure effective receipt, processing and decision-making with respect to consumer enquiries and complaints. Alongside this Ofcom will carry out policy work on ADR, looking at consistency of the two schemes' Terms of Reference, suitability of current Terms of Reference, KPIs and other relevant factors.

Ofcom is also carrying out a review of Consumer Complaints Procedures, which includes ADR accessibility and awareness, greater signposting, and Codes of Practice for complaint handling. The most significant element of the proposals is the requirement for suppliers to write to consumers eight weeks after a complaint has been made if it is not resolved. The effect of the proposals, if accepted, may be a significant permanent increase in telco case numbers by mid-2011; but a decrease is equally possible if companies respond by resolving more complaints more quickly.

The number of cases accepted for investigation in 2009/10 was 6900. The contact ratio was [16:1]

The consolidation of membership, potential movement of members between ADR schemes and any internal platform changes of members should be monitored.

These are issues which we will have to keep abreast of in order for us to continue to provide a first class service. Based on this and the potential changes within the sector, the forecast for 2010/11 is 7800 cases.

Energy Ombudsman

The Energy Ombudsman service experienced a rapid surge in complaint numbers during the summer of 2009. The volume received was unprecedented and could not have been predicted. This caused the service to fall behind in achievement of performance targets, importantly, the number of provisional conclusions issued within six weeks. Preventative measures have been taken to ensure that this does not recur.

The outcome of the Ofgem review of the Energy Ombudsman is expected to be issued in Spring 2010. We will respond positively to the recommendations which come from this and will work closely with the regulator and with member companies to improve the service provided to consumers.

The number of cases accepted for investigation in 2009/10 was 6370 (including a forecast of 450 for March). This was 1000 more than was budgeted for. For the period 2010/11 we have looked more closely at the predictions made by member companies and at our own historical data to more accurately forecast case volumes. The result of this work is that we expect to handle 6750 energy complaints in 2010/11. Toward the end of 2009 and start of 2010 there was a significant drop-off in the number of complaint forms returned for investigation. We do however, expect to see greater numbers from mid 2010. With such broad fluctuations it is vital that we develop an operating model which allows for greater flexibility. The Ombudsman's reputation relies on this.

Surveyors Ombudsman Service

Our contact: investigation ratio is about 13:1, with non member contacts at 20%. The case numbers for 2009/10 are predicted to meet forecast at around 250. The forecast is the same for 2010/11, which is considerably less than our other main services. We will benefit from our experience and in-house expertise to maintain our reputation as making fair decisions delivered in good time.

The application to the Office of Fair Trading to become an approved redress scheme for estate agents has meant that we have increased those registered for estate agency services. The primary reason was to provide a holistic service to RICS members and in November 2009 we reached agreement with the Association of Residential Managing Agents to become their recommended dispute resolution service provider. As a result, members now indicate which types of service they provide to consumers. We have a small number of non RICS firms as members.

The change to Ombudsman Services: Property will reflect those changes and will be promoted in the coming year. The landscape for redress in property will continue to change. There are proposals to require registration of landlords and lettings agents and independent redress is a natural adjunct. The recommendations we make to service providers and the promotion of the Service will ensure we encourage consistent and good practice and help to enhance the reputation of the sector. It is also important that we contribute to the industry discussions and government consultations to pave the way for joined up standards and schemes across the sectors within the industry.

SUMMARY OF OBJECTIVES 2010/11

Maintain and grow access to our service to members and potential members.

We shall:

- arrange regular contact with member companies with a programme of bilateral or group meetings (*Communications*);
- ensure a regular flow of information to and from Member companies (*Communications*);
- promote the Service to industries which could benefit from the ombudsman model (*Communications/Executive*);
- promote the OS model to Government departments and other industry regulators (*Communications/Executive*).

Increase awareness of the service by members' customers.

We shall:

- work with member companies to ensure that appropriate messages are included in material sent to their customers and on customer bills. (*Operations/Communications*);
- explain the Service to consumer advisers, consumer journalists and relevant Government agencies by speaking at consumer events and providing material to consumer focussed publications (*Communications/Executive*);
- ensure that good relationships are maintained with consumer groups and the advice sector (*Communications/Council*);
- publish annual reports which include core statistics (*Communications/Executive*);
- create a multifunctional cross-sector website which meets the requirements of consumers, member companies and other key stakeholders (*Communications*).

Ensure a high level of satisfaction by members and their consumers with the service delivered.

We shall:

- have appropriately trained staff available for members' customers when they call or write in with enquiries (*Human Resources/Operations*);
- meet all internally and externally set performance targets (see KPIs) (*Operations*);
- improve the ways in which members and their customers can contact us (*Information Communication Technology [ICT] / Communications*);
- continue to base strategies on the outcomes of user satisfaction surveys (*Executive*);
- deliver quality resolutions at the earliest point in the process, seeking to establish performance measures for different parts of the process (*Operations*).

Continued.

Meet the requirements of the relevant industry regulators.

We shall:

- provide information as requested in line with the requirements for approval (*Operations/Executive*);
- maintain appropriate liaison meetings (*Executive/Communications*);
- meet any performance targets agreed including any outcome from the Ofgem review of the Energy Ombudsman and the Ofcom review of Otelio and Cisas (*Operations/Executive*).

Maintain the confidence of the Member Boards in our stewardship of resources.

We shall:

- gain Council approval of the budget (*Executive*);
- manage the budget providing monthly data and answering questions posed by the Council and Member Boards (*Executive*);
- demonstrate cost effective use of resources by seeking to achieve at least 2% efficiency saving (*Executive*);
- continue the review of role and task allocation to ensure that tasks are undertaken at an appropriate level within the organisation with proper review and in good time (*Executive*).
- Develop a model of capital adequacy to ensure longer term financial stability for Ombudsman Services.

KEY PERFORMANCE INDICATORS

These are intended to stretch the business toward higher standards of performance whilst maintaining an affordable budget. Each KPI has been considered by the relevant member board and is considered to be appropriate for the sector. KPIs for other stages of the process will be considered and presented to the Member Boards and The Council for approval.

The Key Performance Indicators by sector are:

Otelo and Energy

Measure	Target
% of Provisional Conclusions issued within 6 weeks	> 90%
% of Provisional Conclusions issued after more than 8 weeks	< 1%
% of calls answered by a member of staff within 2 mins	> 80%
% calls answered by a member of staff within 5 mins	> 95%
% written correspondence responded to with a substantive response within 10 days	> 100%
Reduction in representations	by 10%

Ombudsman Services: Property [These targets are still to be agreed by the OS: Property Member Board]

Measure	Target
% of Provisional Conclusions issued within [6] weeks	> 60%
% of Provisional Conclusions issued after more than [10] weeks	< 1%
% of calls answered by a member of staff within 2 mins	> 80%
% calls answered by a member of staff within 5 mins	> 95%
% written correspondence responded to within 10 days	> 100%
Reduction in representations	by 10%

The Council will measure each service against these targets.

RISKS 2010/11

For the past two years Ombudsman Services has completed a risk review in January/February involving all levels of staff. This has produced a detailed risk register from which priorities have been identified.

This year, as increased caseloads have required a focus on delivering PCs and FDs, this detailed process has not been undertaken. There has however been a significant amount of consideration of risks and issues faced in the current environment and the barriers/enablers currently faced.

The key risks faced by the business are those which in effect should be considered relevant barriers to meeting key objectives. Risk assessment is therefore integral to the business planning process.

Staff throughout the organisation will be involved in risk through the year. We will ensure that there is a mechanism for feeding back any indicators from the staff which may affect the current risks or suggest new risks which are on the horizon.

A risk appetite policy has been agreed. This is as follows:

We will avoid risks that threaten our ability to remain an Ombudsman Service that is approved by the regulators and is able to provide value and quality to our members and their customers. We will maintain at all times an appropriate capital buffer, through a minimum level of reserves, sufficient to support liquidity and absorb short-term fluctuations in net income due to changes in business volumes.

Council considers its appetite to risk through the annual agreement of its strategy and business plan. A low risk appetite has been agreed

The Executive will continue to report to the Council each month on the key risks to the business.

The top level risks to the business are:

1. Quality Standards

- **Risk:** Standards are not understood and therefore not delivered, or measured and managed.
- **Impact:** Inefficiencies and reputational/regulatory damage.

2. Inability to deal with changes in volumes

- **Risk:** The organisation is unable to flex with increases and decreases to numbers of cases and volumes.
- **Impact:** Financial pressures and failure to meet KPIs resulting in reputational/regulatory damage and stakeholder dissatisfaction.
- **Risk:** The departure of one or more large members.
- **Impact:** Same as above.

3. Staffing

- **Risk:** Staff are not adequately trained.
- **Risk:** Performance is not managed to a sufficient standard.
- **Risk:** Staff morale is impacted by pressures of change and workload.
- **Impact:** Poor quality work, absences and higher turnover affects the achievement of performance standards. Increased costs.

4. IT

- **Risk:** The current platform may not have resilience and have a limited life
- **Impact:** Downtime affects the achievement of KPIs, increases the costs of support. The limitations of the system increases inefficiencies in the process.

5. Regulatory Approval

- **Risk:** Loss of regulatory approval for a service.
- **Impact:** Need to restructure the business to ensure that costs match income.

6. Governance

- **Risk:** The Council does not fulfil its principal duties under the Companies Act 2006 (as amended).
- **Impact:** The credibility of the company is damaged.
- **Risk:** The Council does not adequately discharge its governance duties in terms of the Articles of Association.
- **Impact:** The independence of the Ombudsman is threatened.

BUDGET

The Executive has outlined to the Council and Member Boards how it will change processes to achieve improved productivity from existing resources. It is expected that a percentage of cases will be resolved without recourse to a full investigation. This will cascade through the Investigations and Ombudsman teams thereby resulting in a lower investigation cost per case.

This budget reflects some of the changes that will be made to the process. It is recognised that the full benefit of the proposed changes would not be derived immediately but will take a period of time to come to fruition.

The budget for OS is constructed on the basis of the estimated case volumes for each sector. The total case volume being used for planning purposes is forecast at 14772 cases as against the projected outturn forecast for 2009/10 of 13989.

	2010/11	2009/10
Otelo	7800	7440
Energy – Supply	6492	6081
Energy – Networks	240	235
Surveyors Ombudsman Service	240	233

Baseline Budget

The baseline budget is shown in the table below. The budget is also compared against the outturn forecast for 2009/10.

A case fee of £335 per case coupled with a subscription of £900k will produce a small surplus.

INCOME AND EXPENDITURE 12 MONTHS TO MARCH 2011

	TOTAL Mar-10 £'000	TOTAL Mar-11 £'000	Variance +/- £'000
Cases	14772	14772	
Income			
Subscription	819.8	900.0	80.2
Case Fees	4704.0	4948.6	244.6
TOTAL INCOME	<u>5,523.8</u>	<u>5,848.6</u>	<u>324.8</u>
Expenditure			
Council Fees & Expenses	(106.6)	(107.8)	(1.2)
Staff Costs	(4,463.3)	(4,441.7)	21.6
Recruitment & Training	(74.6)	(99.8)	(25.2)
Occupancy	(286.5)	(319.8)	(33.3)
Office Run Costs	(197.0)	(202.6)	(5.6)
ICT	(308.3)	(309.6)	(1.3)
Travel & Subsistence	(61.4)	(61.4)	-
Legal & professional Corporate communications	(113.8)	(191.5)	(77.7)
Depreciation	(28.3)	(30.0)	(1.7)
Bank Charges	(1.9)	(2.0)	(0.1)
Bad Debt	(15.2)	(10.0)	5.2
IA Costs	(2.1)	(5.0)	(2.9)
TOTAL EXPENDITURE	<u>(5,724.5)</u>	<u>(5,834.9)</u>	<u>(110.4)</u>
Interest	8.6		(8.6)
Net Surplus/(Deficit)	<u>(192.1)</u>	<u>13.7</u>	<u>205.8</u>

Headcount

The headcount is derived from the budgeted activity levels using an agreed ratio of contacts to cases.

The departmental headcount is shown in the table below.

Department	FTE's
Chief Ombudsman and Corporate staff	14.2
Ombudsman	6
Enquiries	68.4
Investigations	54.3

Approved by The Ombudsman Services Ltd Council

16 March 2010