



**Annual report and accounts
2016-17**

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Any enquiries related to this publication should be sent to us at:

Transport Focus
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

0300 123 2350
www.transportfocus.org.uk
info@transportfocus.org.uk

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Section 1:

Chair's foreword

Looking back on the past year, the darkest cloud has been the very poor experience suffered by many rail commuters on Southern. Many paid thousands of pounds a year for season tickets but were unable to rely on the trains to get them to work and home each day because of poor performance and strike action.

For those passengers we helped achieve an improvement in the compensation they now receive. The qualifying time for Delay Repay was reduced from 30 to 15 minutes and there was a lump sum offer for season ticket holders. We gathered passengers' experiences and frustrations through an innovative 'emotional tracker' app and our new Transport User Panel. We fed these back to the industry and Government quickly, through the Ministerial Task Force which focused on Southern's problems. As a result, Southern followed the Minister's request to improve information to passengers before they leave for their departure station. We continue to monitor this improvement.

The way the railway measures punctuality using the Public Performance Measure (known as 'PPM') allows delays of up to five or 10 minutes to count as an 'on time' arrival, measured only at the final destination of the train. We know from our research that this does not meet passenger expectations. This is important, because what gets measured gets managed. We will continue to press hard for the measure used to incentivise train performance to be the clear, understandable 'right time' arrival at all stations and not a measure which accepts failure.

The National Rail Passenger Survey (NRPS) has now passed the milestone of surveying the millionth passenger since its inception in 1999. NRPS and our other tracker surveys, such as on bus and tram, continue to drive change for users. Enabling service providers to see how they compare over time and with other providers are an important focus for change. The NRPS passenger satisfaction targets are now being built into new rail franchises to ensure passengers have a stronger input throughout the life of that franchise.

In our second year of championing the interests of those who use England's motorways and major 'A' roads, we are developing the Strategic Roads User Survey. This will enable us to drive change based on evidence of drivers' experiences. We have highlighted that lorry drivers on their way to the Port of Dover need better information, particularly when they have to queue on the A20. 80,000 drivers were penalised on the Dartford Crossing for misunderstanding how to pay for their journey. Following our pressure, drivers will now be treated more leniently the first time they make such a mistake.

We also conducted research on roadside service facilities (such as motorway services, petrol stations and lay-bys). Generally, car drivers are reasonably content with motorway service areas, though somewhat less happy with services on Highways England's 'A' roads. But, by comparison, lorry drivers were less

dissatisfied. We will continue to press Highways England and the Government to address their concerns.

It is frustrating that advocating change to benefit users can take many years to come to fruition. This is particularly true on the railway where our longstanding research has shown how confusing and complex passengers find the rail fares and ticketing system. Building on our research and influence, a Government-led task group was established, including ourselves, to identify improvements to fares and ticketing. The first of these, which we previously saw in our complaints appeals, is when passengers make an innocent mistake by not having their Railcard with them. Previously they would have to buy a brand new ticket with no discount or face a penalty. They will now be able to claim back the costs of buying any new ticket rather than face a penalty. In the coming year we expect the industry to continue delivering wider improvements, especially to ticket vending machines.

During the year the Government also addressed another of our long-standing concerns when it announced a new independent right of appeal for passengers who have been issued a penalty fare. This followed our *Ticket to Ride* publications in which we highlighted examples - received through our complaint appeals postbag - where passengers who had made an innocent mistake were treated unfairly.

Improvements in passengers' awareness of compensation due to them for delays is another long-awaited change that we researched and championed. In three years, as a result of industry action, we have seen 23 per cent more passengers claiming the compensation due to them. But much more needs to be done to ensure that all passengers receive the compensation they are entitled to.

Our influence in the bus world continues to drive change for passengers. The setting of passenger satisfaction targets, using our Bus Passenger Survey (BPS), acts as a benchmark for measuring progress and identifying where attention is needed from the passenger perspective. One example is the way BPS has become the cornerstone of new alliances between the transport authority and bus operators established in the Liverpool City Region and in West Yorkshire. They follow the alliance model of the West Midlands which we are delighted to chair. We helped the Department for Transport (DfT) shape the new Bus Services Act for England to ensure it is passenger focused, and look forward to working with authorities and operators within the new system.

Many more rail passengers than normal have been disappointed by the way Great Western Railway (GWR), Virgin Trains West Coast and Northern dealt with their complaints. Far too often, these are 'complaints about complaints' where the original complaint has been inadequately responded to. As a result, there has been an increase in complaints that come to us when the passenger is unhappy with the train company's response. We challenged these companies to secure their improvements in their own complaints handling, and will give even greater focus to the lessons learned from this in the coming year. The GWR issues were of such concern to our Board members that we invited the Managing Director to explain the background and their improvement plans. We will continue to monitor this issue and ensure that lessons are learnt more widely from this experience.

We have worked with a range of partners and other stakeholders in the transport arena both in the public and private sectors to make a difference for the user. This includes working jointly on research or being represented in the right places such as the Western Route Supervisory Board alongside Network Rail, Heathrow Express and GWR. We hold stakeholder events in different parts of the country which provide good networking opportunities. The Secretary of State, Chris Grayling MP, spoke at our stakeholder reception in London as we marked our 70th anniversary. Making a difference for the transport user is as relevant today as it was in the 1940s – though some challenges are very different!

Section 2:

Making a difference for all transport users

We are the independent consumer watchdog for Britain's rail passengers, for bus coach and tram passengers in England (outside of London) and for users of England's motorways and major 'A' roads (the strategic road network or SRN). We aim to make a difference in a number of different ways, but always with the user at the heart of what we do.

We strive to give all transport users as powerful a voice as those that provide their services. We do this through gathering evidence of the user experience and presenting it to those who can make a difference, whether from the industry or government. We are also represented on panels and task forces or work in partnerships where we input the user perspective. Our stakeholder events and seminars provide a networking opportunity for stakeholders in different areas of transport to get together and share ideas, best practice and experiences.

2.1 Improving today's transport user experience

Rail passengers

Overarching consumer protection provides a basis for passenger protection, and this year the Consumer Rights Act 2015 came into force on the railway. It gives consumers rights in relation to all aspects of performance, not just delays and cancellations. We will continue to explore how it can help us strengthen passenger rights both when dealing with individual complaints and when reviewing consumer protections such as train company Passenger Charters and wider National Rail Conditions of Travel.

Poor performance

This year we have seen a deterioration in passenger satisfaction aligned with poor performance in particular parts of the network. The Autumn 2016 NRPS highlighted where particular problems have been. We were disappointed to see that ScotRail's overall passenger satisfaction had fallen seven percentage points, particularly as they normally perform well. Linked to this, punctuality on ScotRail fell by six percentage points. However, working together with Transport Scotland and the ScotRail Alliance in taking forward a Performance Improvement Plan throughout the winter of 2016 has seen an improvement in punctuality figures.

The Spring 2016 NRPS showed a drop in passenger satisfaction with Arriva Trains Wales (ATW). Highlighting our concern, we agreed an action plan with them to improve punctuality and reliability, train presentation, communication around station improvements and passenger engagement, as well as helping to improve capacity.

Given the poor performance on Southern it was unsurprising, but disappointing, to see that passenger satisfaction across that London South East network as a whole,

and particularly among peak time travellers, was poor. On Southern, satisfaction with punctuality was as low as 30 per cent and for dealing with delays, 12 per cent amongst peak-time travellers.

Transport Focus win: Passengers travelling on Southern will now have better information before they embark on their journey if strike action continues

Southern's temporary timetable as a result of strike action became a focus for developing new methods for understanding the immediate passenger experience. We gathered this experience initially through a travel diary app and then our new Transport User Panel. We fed this back both to the ministerial task force on the South East Quadrant which included Network Rail, DfT and ourselves and chaired by the Rail Minister. Passengers were finding a gap in the information about which services were operating before leaving for their departure station. The Minister tasked Southern with improving this situation.

The Secretary of State for Transport was so concerned about Southern's poor performance that he established the Gibb Review to explore how to ensure a more joined up approach between train and track and improve the passenger experience. We contributed to his review to ensure the passenger interest was reflected in the Southern Improvement Plan.

Transport Focus win: Passengers on Southern are now able to claim Delay Repay compensation after arriving 15 minutes late instead of 30 minutes

Disruption

Disruption of rail services - whether planned or unplanned – can be a major source of dissatisfaction for passengers. With improved and welcome investment in the rail network, there will inevitably be disruption to services which passengers have to endure. We have played our part by researching views of passengers who will be disrupted by particular projects with a view to minimising that impact. For example, we investigated how passengers wanted to receive communications about the improvements at London's Waterloo Station.

There have been significant rail line and station closures during the year due to engineering work, particularly on the Great Western network. At different times it affected Oxford, Bath, Cardiff and the Severn Tunnel. We therefore worked with Arriva Trains Wales (ATW), GWR and Network Rail to ensure passengers' considerations were part of the planning of these closures. We assessed the passenger experience through mystery shopping during those periods.

We continue to influence the Edinburgh to Glasgow Improvement Programme (EGIP) which will result in new electric trains, improved journey times and capacity

as well as redeveloping Glasgow Queen Street. We conducted research jointly with Transport Scotland which we are using as the basis for influencing the programme's Stakeholder Panel. Our research into passengers' requirements during disruption will help ensure passengers' needs are reflected during these works.

The redevelopment of Glasgow Queen Street Station will transform the passenger experience and enable existing platforms to be extended to accommodate longer trains and maintain currently timetabled services. To inform decisions that will enhance the passenger experience, we have worked together with the ScotRail Alliance, gathering evidence of what passengers require to make the station a true gateway to Glasgow. Our Board member appointed by Scottish Ministers sits on the Partnership Group to ensure that passengers' views are well represented.

Compensation

Passengers on Southern needed to be compensated fairly for what was for many a miserable experience over a number of months. Our advocacy, alongside London TravelWatch, resulted in the Government reducing the Delay Repay compensation qualifying time from 30 to 15 minutes to better match the experience of those travellers on the three GTR services, including Southern. This improvement is also starting to be incorporated into new franchises in other parts of the country.

More generally, when there are delays, passengers are entitled to compensation, but not everybody makes a claim. Our 2013 research showed that only 12 per cent of passengers claimed. In partnership with the DfT and the Office of Rail and Road (ORR), we repeated the research. *Rail delays and compensation – what passengers want* showed that rail companies had improved awareness, as the percentage who had claimed had risen to 35 per cent. While welcome, there is still much more to do.

Transport Focus win: 23 per cent more rail passengers are taking up their right to compensation since 2013 as the industry has responded to our work. More needs to be done, however

We worked with ATW on their Passenger Charter particularly around compensation and compliance with the Consumer Rights Act.

Fares and ticketing

We know from a decade of research that passengers find the rail fares and ticketing system complex and confusing, and we have made a number of recommendations for improvements. This year, these recommendations were given a significant impetus when the Government established a task group of DfT, industry, ORR and consumer groups, including ourselves and Which? The group agreed the *Action Plan for Information on Rail Fares and Ticketing* which include specific actions which will be taken, largely by the industry, during 2017. While fundamental reform is still needed, it will improve how passengers choose their ticket; what products they can buy; and also where and how they can buy them.

Transport Focus win: We obtained a commitment that rail passengers will be able to have their appeal about a penalty fare reviewed by an independent appeals panel if they are not content with their first appeal

Since 2012, we have been pressing for reform to the penalty fare system. Our appeal complaints had identified a number of cases where people making an innocent mistake had been caught out and were assumed to be guilty. We published two reports – *Ticket to Ride* in 2012 and *Ticket to Ride 2* in 2015 – which highlight the problem and propose reform. So, connected to this initiative, the Government has promised reform resulting in greater fairness and an independent right of appeal when passengers make an honest mistake.

A further development arising from this initiative was the welcome announcement from the rail industry about passengers who make the mistake of leaving their Railcards behind. They will be able to claim back the cost of any extra fare or penalty for this reason on one occasion during the year.

We continue to ensure that passengers' views inform developments in ticketing. As part of our Smarter Travel series, we have published reports on smart ticketing in the North of England, contactless payment and smart ticketing on buses in Brighton. We have also been part of the Rail Minister's Smart Ticketing Delivery Board and the UK Cards Working Group on Contactless Payment.

Transport Focus win: Rail passengers who leave their Railcard at home by mistake, will now, on one occasion during the year, be able to reclaim the cost of a new ticket they had to buy

Personal security

We engaged with British Transport Police's (BTP) crime review consultation for England and Wales, provided research on our understanding of passenger perceptions and priorities for improving station security, the role of staff and giving passengers confidence when they travel, especially passengers with disabilities.

More specifically, we continued to work with BTP, Network Rail, ATW and GWR on passengers' safety and security in Wales. We supported them on topics such as suicide prevention, crime reduction and engaging with young people in the community.

The Scottish Parliament has been considering the Railway Policing (Scotland) Bill which will devolve transport policing. We welcome the proposal for Police Scotland to deliver a specialist railway policing function within their broader structure. We want to ensure the specialist skills, knowledge and experience that BTP officers and staff have will remain in future. We want to ensure rail passengers in Scotland receive at least the same standard of policing service as those in England and Wales.

Road users

Disruption

Delays and disruption cause frustration for road users, private motorists, freight drivers and coach operators alike - whether caused by roadworks, accidents or other unplanned events. As with rail, those planning works need to think more about the needs of users impacted by them. Our report, *Incidents and roadworks – A road user perspective*, found that people understand the need for investment but they think roadworks could and should be planned better to reduce the inconvenience while work takes place. Provision of information emerged as a key area for improvement, including: advanced warning; accuracy about when roads will be closed; clarity about the effect on road users; understanding what is being done. These are very similar to passengers' needs when there are engineering works on the railway.

We published the research at the Highways UK conference in November, with the Minister, Andrew Jones MP, and he underlined the importance of focusing on the needs of those who use our roads. We have made sure the findings are widely understood within Highways England and DfT, not least through our membership of the Motorists' Forum Roadworks Subgroup. We will continue to work with Highways England and monitor progress on how our recommendations have been addressed.

Transport Focus win: *Where there is a delay or incident, road users should now see better information to help them better plan their journey*

Roadside facilities (such as motorway services, petrol stations, lay-bys) are an important feature of the driver's experience, as well as helping prevent accidents by encouraging rest. We asked road users what they thought of motorway service areas and facilities on major 'A' roads. On the whole, road users were positive about their experiences – needs are functional and generally met. Lorry drivers were less satisfied, reporting difficulties finding a space to park and a sense that some motorway services didn't really want them at all. This is also important given their need to comply with the drivers' hours regulations. Road users were less positive about services on major 'A' roads, reporting inconsistent quality and not really knowing what to expect. We are discussing our recommendations with Highways England, and will push them to take greater responsibility for the provision of roadside services which meet the needs of all road users. Following on from this qualitative research, we have carried out a large scale quantitative survey – the Motorway Services User Survey – measuring satisfaction at all 112 official motorway service areas which will be published later in 2017.

'Operation Stack' and 'Dover Tap' operate when there is delay and disruption resulting from problems with cross-Channel services causing problems for lorry drivers. We wanted to find out what they thought would improve their experience while they wait to access the Docks in the case of Dover Tap. Information about how

long they would be waiting was the clear requirement, and we have discussed how this could be achieved with Highways England. We also asked what lorry drivers will need at the proposed lorry holding area. They told us they would need toilets, showers and security for shorter waits, plus food and drink for longer waits.

The Dartford Crossing

We have worked with Highways England to improve the user experience of the Dart Charge, the payment system for the Dartford Crossing. As a result drivers have more prominent information about the fact there is a charge and what it is, and it is clearer to cyclists how to use the free transfer service between one side of the Thames and the other (they are barred from cycling through it or over the bridge). The payment system is now fairer on first-time users who have genuinely misunderstood that they needed to pay or how to do so.

Transport Focus win: Road users will now have clearer information about why and how to pay to use the Dartford Crossing

Other users

We have also begun to research the particular needs of cyclists, horse riders and pedestrians while on Highways England's road network. The main focus is safety while travelling along major 'A' roads or when trying to cross the SRN. This will help guide our future research.

Transport focus win: Cyclists using the Dartford Crossing now have better information on how they can use the free transfer service (they are barred from cycling through the tunnels or over the bridge)

Bus passengers

BPS continues to drive improvements for passengers. Based on the Autumn 2016 wave, we prepared more than 100 presentations which were discussed at over 60 meetings of bus companies and authorities. This enabled us to highlight where improvements could be made to benefit passengers. This time we found that, while passenger satisfaction remains high (ranging from 82 to 92 per cent overall), increasing congestion and roadworks are affecting the ability to deliver the basic passenger service. In the hardest hit areas, satisfaction with punctuality scored 65 per cent and journey time rated 79 per cent.

In Scotland, we increased the number of passengers surveyed by covering bus services throughout the mainland from Inverness to Dumfries. This was made possible by the financial support of Transport Scotland, authorities and operators. Satisfaction with punctuality fell from 86 per cent to 80 per cent since 2014 particularly due to traffic congestion and road works.

Transport Focus win: Bus passengers in the east of Scotland now benefit from a new fleet of buses and improved comfort and cleanliness following the Bus Passenger Survey highlighting poor passenger satisfaction in 2014

We have welcomed and been involved in the development of alliances in the bus world. The West Midlands Bus Alliance, chaired by Transport Focus, brings together the transport authority, the bus operators and police. BPS is used to monitor passenger satisfaction on a range of issues, identify where improvements might be needed and guide investment. This has included improving driver interaction with passengers through training, enhancing information at bus stops and delivering changes to ticketing schemes to benefit young people. The West Midlands Bus Alliance also fund an extra spring wave of the survey to add further focus to improving passenger satisfaction. Passenger satisfaction has been improving in the West Midlands over the last few years.

A similar model is developing in Liverpool with the City Region Bus Alliance where they have used the BPS to measure how well they are doing against their target of increasing passenger satisfaction to 95 per cent. Another alliance is developing in the West Yorkshire Combined Authority area with a focus on improving passengers' satisfaction and experience.

Transport Focus win: Bus passengers in Brighton and Hove should be able to get on and off buses more easily with their new vehicles in response to low satisfaction scores with this factor in the Bus Passenger Survey

We took part in the first Bus Summit in Wales which gave us the opportunity to promote the benefit of the passenger voice in providing bus services, such as through the BPS. We are also engaging with the Welsh Government's transport policy from a passenger perspective through the Public Transport Users' Advisory Panel.

Tram passengers

The Tram Passenger Survey (TPS) highlighted generally high satisfaction levels – 92 per cent across the six areas (Blackpool, Nottingham, Sheffield, West Midlands, Greater Manchester and Edinburgh). Engineering works to expand the networks have impacted negatively on passenger satisfaction in Nottingham, Sheffield, Greater Manchester and the West Midlands. But once the investment brings benefits, passenger satisfaction increases. Again, this is a rich data set for the tram operators to help them improve their passengers' experience.

Passengers with a disability

Our analysis of NRPS, TPS and BPS data shows a substantial minority of journeys are made by passengers with a disability (nine, 16 and 24 per cent respectively). They all show that this group is less satisfied with safety and security and smoothness of the ride. Information, personal space, and comfort of seats also come through as aspects with satisfaction differences to the rest of passengers. They are also 1.5 times more concerned about other passengers' behaviour.

This analysis has been presented to members of our Accessibility Forum which considers disability issues on rail, bus, coach, tram and also users of the SRN. Hosted by us, the forum is a group of individuals and organisations such as the DfT, Rail Delivery Group, Royal National Institute of Blind People, Leonard Cheshire, Dyslexia Action and the Disabled Persons Transport Advisory Committee.

2.2 Making a long-term difference for transport users

Rail passengers

We have pushed to give passengers a greater voice in the strategic decision-making process, both as part of the railway 2019-2024 planning and funding cycle and the reforms arising from the Shaw Review of the industry. On the latter we are now members of the Western Route Supervisory Board alongside GWR, Heathrow Express and Network Rail. This means that the passenger voice should now be heard alongside those of the track and train companies when planning improvements and co-ordinating engineering work. We look forward to contributing the passenger voice and reviewing progress achieved.

We have also continued to boost the passenger voice in the replacement of rail franchises. We engage with each one in a number of ways including through researching the views of passengers on that franchise; working with the officials designing the specification; and encouraging ambitious proposals with the bidders. We respond to the franchise consultation and comment on the bidders' delivery plans when the bids are evaluated. We also have a role commenting on the customer service elements of the bids.

Transport Focus win: Passengers will be able to receive Delay Repay compensation after 15 minutes delay (instead of 30) as franchises are renewed

This year we have worked on the South Western, West Midlands, West Coast, South Eastern and East Midlands franchises. As the decision on the next Wales and Borders rail service is being managed by Transport for Wales (TfW) on behalf of the Welsh Government and in liaison with the DfT, we have worked with them on the passenger input. We also supported the National Assembly Committee to help them engage on priorities for the replacement service.

We have worked with ATW to improve services for passengers. With our support, they increased the number of trains from North Wales to Manchester Airport from 17 to 57 journeys each week.

As HS2 gets ever closer, we have continued to use our well-established community of potential and future users to good effect. They are consulted several times each year and the participants provide creativity and views on important elements of the new service such as stations, rolling stock, on-board services.

In Wales we have engaged with the new administration following Assembly elections. Our position on the Transport Advisory Panel enables us to make recommendations to the Cabinet Secretary for his policies including active travel and bus service improvement. We responded to the National Assembly committee inquiries on priorities for the future of Welsh rail infrastructure making recommendations on improving capacity and frequency, with greater adherence to 'right-time' punctuality. In relation to priorities for the Fifth Assembly, we recommended scrutiny of the Wales and Borders rail franchise, bus service quality standards and transport integration. We are also part of the Welsh Government/DfT cross-border rail forum, holding Network Rail and ATW to account and supporting improvements to a number of stations and services along the Welsh border.

Bus passengers

Legislative changes will affect the bus industry in England and offer prospects for a significant improvement in the passenger experience. The Bus Services Act and accompanying guidance will allow transport authorities and bus operators to work more closely together, either in partnership or under a franchise agreement. Against a backdrop of declining bus use, two of its objectives include improving the passenger experience and driving an increase in passenger numbers. Whatever type of agreement is entered into, we believe the passenger must be at its heart. Our BPS can be a tool to monitor passenger satisfaction and identify where improvements can be made.

Transport Focus win: 16 to 18-year olds across Manchester can now benefit from half-fare day tickets on the bus since the bus company saw this age group were dissatisfied with value for money in the Bus Passenger Survey

We also used our extensive research on what bus passengers want to help ensure that the passenger voice was heard during the legislative process. We have been working with the DfT to incorporate the passenger interest into the development of the Act and the accompanying guidance. We also supported some passenger-focussed amendments as the Bill passed through Parliament.

Less money available for buses from local authorities has resulted in the need to find other ways of providing a transport service. Demand-responsive transport is one alternative to providing scheduled services. We looked at examples in different counties to enable other authorities to learn the lessons of their examples. Again, as a result of reduced bus services, we also promoted the importance of consulting passengers on changes to services and highlighted where this had been done well.

Transport Focus win: Bus passengers in Liverpool are seeing more attractive offerings – such as on fares - and are happier with their service as a result of using the Bus Passenger Survey to target improvements

Forthcoming legislation in the Scottish Parliament will affect the bus industry. Our continued work on BPS will inform Members of the Scottish Parliament and ensure the passenger voice is heard on any changes that emerge, including issues on punctuality, frequency, customer service and smart ticketing.

Road users

We have ensured that road users' views are at the heart of planning improvements to England's motorways and major 'A' roads in the five years from 2020 through our membership of the Government-led steering group for development of the second strategic roads investment strategy, known as RIS 2. We have published research among road users so as to inform

Highways England's 18 route strategies, which cover the whole of the SRN. We have carried out, jointly with ORR, research into what road users want to see measured when it comes to running the SRN. This should help ensure that Highways England's formal incentives are closely aligned with what road users think they should be concentrating on. We will carry out a further stage of this research in 2017, again working with ORR.

Transport Focus win: Road users, in addition to local communities and others, will now be consulted more effectively by Highways England about changes to roads that they drive on such as with the A303 at Stonehenge

We have been pressing Highways England to think differently about how it consults before making a major investment. We have urged them to involve those who will use a road in the planning of what is done. The signs are that this message is producing results, for instance around the Stonehenge tunnel project. In the year ahead we will continue to advocate greater involvement of road users in shaping long-term investment.

2.3 Understanding the needs of transport users – insight and research

As we continue to develop our road user remit, we are adding to our suite of user satisfaction tracker surveys. We have been developing and piloting the innovative Strategic Roads User Survey (SRUS) which, in time, we expect will bring new dynamism to the roads sector. It will provide a rich source of data on what 20,000 drivers think of the SRN, pinpointing areas for improvement. So far the piloting has included 6,750 interviews across omnibus, face-to-face and online surveys. Working with the Driver and Vehicle Licensing Agency we have developed an innovative online survey using an interactive map to gather user feedback.

We have also been developing another user satisfaction survey - the Motorway Services User Survey – which measures the users' experience of this aspect of the SRN. It will spotlight where satisfaction is low and help drive improvements.

Table 1. Summary of survey results and numbers of users surveyed for research published 2016-17

Measure	National Rail Passenger Survey		Bus Passenger Survey		Tram Passenger Survey	Total number surveyed
	Spring	Autumn				
Overall satisfaction	80%	81%	England 87%		92%	109,413
Value for money	45%	47%	Scotland 90%		69%	
Punctuality	73%	73%	England 65%		86%	
			Scotland 68%			
Users surveyed	29,807	26,899	England 73%		5707	
			Scotland 80%			
Areas surveyed	GB	GB	47,000		England and Scotland	
Users surveyed in other research						25,922
Users responding to the Transport User Panel research						16,954
Total number of users surveyed						152,289

The NRPS continues to be used in a variety of ways, enabling train companies to track and benchmark their performance. It is used for passenger satisfaction target setting in newer railway franchises, such as with Abellio Greater Anglia. The survey began in 1999, and this year we marked the moment of surveying our millionth passenger. We continue to modernise the survey to ensure it meets industry and other decision makers' needs. This year the survey has been shortened and is

available for passengers to complete online if they wish. The survey is also being conducted by a different agency.

In addition to revitalising NRPS, we have trialled an emotional tracker app as a way of getting quick feedback on passengers' responses to a particular problem. During the year we set up an online Transport User Panel made up of transport users across Britain. This enables us to test particular issues and hear their responses quickly. It supplements other user research.

With the Southern strike and disruption issues, we used the panel to hear passengers' experiences and feed them back to GTR (Southern's parent company) and the DfT. We also tested the compensation arrangements for Southern to see what proportion of eligible passengers were claiming and how easy it turned out to be. This panel is being used for other research and we now have 70,000 members.

We captured the views of more than 37,000 bus passengers this year across 42 areas and operations in England (outside London) and 10,000 in Scotland. Its usefulness has the potential to grow within the new legislative framework in England.

We published the third and conducted the fourth TPS. For the Autumn 2016 wave, we surveyed 5400 passengers on the six tram networks: Blackpool, Greater Manchester, Nottingham, Sheffield and West Midlands, and Edinburgh for the second time.

Transport Focus is developing and piloting a new tool for receiving passenger feedback from websites and apps in partnership with a third party. If a user reaches a certain trigger point they will receive a pop up question on a relevant topic. We can tailor the questions accordingly to gather their feedback.

2.4 Complaints handling

Rail appeal complaints

This year we resolved 3622 appeal complaints from passengers (see table 2 below for breakdown by company). We received a total of 4907¹ appeals and 228 were not pursued by us due to extenuating circumstances. Our satisfaction target for passengers' satisfaction with our handling of their appeal complaint case is 70 per cent. For the first time, our satisfaction score was below this target at 68 per cent. This was due to the unusual circumstances during the year (see below) which caused us to take longer than normal in handling the appeals. However, on average, 72 per cent of passengers would recommend our service to others.

We saw a surge in rail appeal complaints this year, particularly from GWR, Virgin Trains West Coast and Northern Rail. At their peak, GWR's problems in handling correspondence resulted in us receiving a total of 791 appeal complaints from their passengers over the course of the year. The increase seemed to result from a

¹ This figure only takes into account cases received that we resolved in 2016-17. It therefore excludes any current active cases.

change in the contract of the customer contact centre, as well as coinciding with some major operational challenges on the GWR network. Thousands of passengers had to wait several months for a response from GWR to their original complaint. They then appealed to us, resulting in this significant surge in appeal complaints.

Transport Focus win: During the past year we have helped passengers resolve more than 3600 rail complaints

The Board asked the managing director of GWR, Mark Hopwood, to explain what had gone wrong and what lessons had been learned. They also asked about the additional gestures of goodwill they offered to passengers who had to wait unacceptably long times for a response. There was also considerable liaison with GWR at staff level. By the end of the year our receipt of GWR complaints was falling. But complaints from other train companies, including Virgin Trains West Coast, were increasing.

Virgin Trains West Coast had been one of the more customer-focused train operators. But they adopted a less generous policy on goodwill offers for passenger complaints and on applying discretion where passengers encountered issues during a journey. They also stopped offering compensation above and beyond industry and charter terms and conditions. As a result, we saw a rise in the number of Virgin Trains West Coast appeal complaints being raised with us. It is our view that a gesture of goodwill or some sort of discretion is appropriate when dealing with complaints.

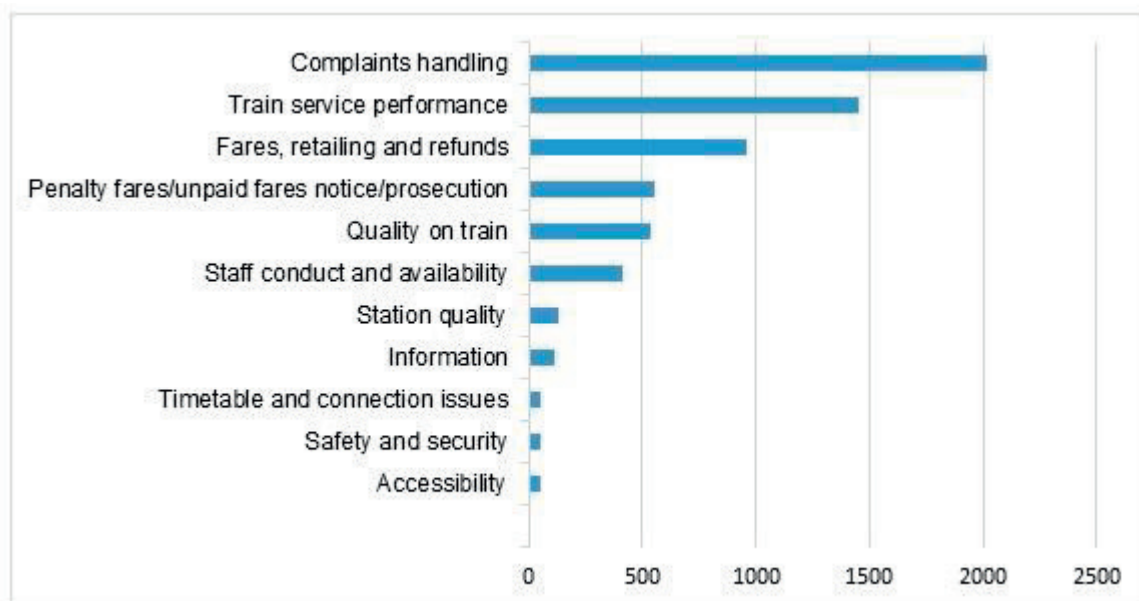
Following the change of operator on the Northern franchise in April, we also saw a surge in passenger appeal complaints. Again, the cause seemed to be the results of a change in the contract for the provision of a customer contact centre. The increase in cases for Northern did not compare to the scale of the issue with GWR, however, numbers did decrease. But, unfortunately, the volume of passenger appeals we received started to rise again due to a new backlog. We continue to monitor the situation and if necessary meet senior staff at Northern to seek improvements for passengers.

Table 2: Appeal complaints by organisation

Organisation	Rail appeal
Great Western Railway (GWR)	601
Virgin Trains West Coast	525
Northern (Arriva)	397
Virgin Trains East Coast	264
South West Trains	221
Greater Anglia	205

Southern (GTR)	196
ScotRail (Abellio)	130
CrossCountry	127
thetrainline.com	117
Arriva Trains Wales	99
Southeastern	98
TransPennine Express	98
London Midland	78
c2c	68
East Midlands Trains	65
Great Northern (GTR)	49
Northern Rail (Serco & Abellio)	44
Thameslink (GTR)	31
Tyne and Wear Metro	26
Chiltern Railways	23
Merseyrail	17
ScotRail (First)	17
Grand Central Railway	17
Caledonian Sleeper	15
National Rail Enquiries	12
First Hull Trains	10
First Great Western	10
Metrolink	10
Network Rail	9
Raileasy	8
TrainGenius.com	6
IRCAS	5
Tyne & Wear ITA	4
Nexus	4
Govia Thameslink Railway Limited (GTR)	3
Redspottedhanky.com	3
takehthetrain.co.uk	2
IPFAS/RPSS	2
Transport Investigations Limited	1
MyTrainTicket	1
Northern	1
Rail Delivery Group (RDG)	1
Grand Central	1
Association of Train Operating Companies (ATOC)/Rail Delivery Group (RDG)	1
Total	3622

Fig 1. Number of appeal complaints by reason (all resolved cases)



Road user complaints

Highways England invited us to review the standard of their road user complaints handling so we could help them improve its quality. Using our experience of rail complaints, we encouraged them to demonstrate a more customer-focused approach. Other recommendations included acting on the feedback they receive.

2.5 Increase the influence of Transport Focus through building trust in our work

Board meetings in public

Transport Focus is a transparent organisation. We held four Board meetings in public. One of these, in November, was held in Birmingham to coincide with the Highways UK conference. We heard from Highways England about how they are making their operations more focused on the road user. It was also an opportunity to hear from transport operators and developments in the region with presentations from the partners in the West Midlands Bus Alliance (National Express and Transport for the West Midlands).

In March, in addition to GWR's managing director, we were also joined by the DfT and Dick Fearn, Chair of the Western Route Supervisory Board who updated the Board on the work between Transport Focus and the new Board on boosting passenger input to rail industry planning.

Communications

Much of our influence is achieved through reputation both in the media and with our stakeholders.

Over the year we have achieved a high level of media coverage with more than 3,200 items across national, regional, trade, TV and radio broadcast and also online channels. We responded to 215 media enquiries. We continue to operate a 24-hour press office. We have combined our road user and passenger newsletters into Transport User Voice. This has 15,000 subscribers, and was accessed online by 400 users. Our website had more than 204,000 visits and 131,000 users. We now have 9055 followers on twitter, up from 7200 last year.

Table 2. Media mentions and enquiries April 2016-March 2017

Media	Enquiries	Mentions
Online	n/a	2,318
Print		
UK print	37	95
England	15	105
Scotland	15	9
Wales	5	6
Broadcast (TV and radio)		
UK	44	62
England	74	542
Scotland	7	20
Wales	6	18
Trade publications	8	6
International	4	7
Total	215	3170

Section 3: **Annual report and accounts 2016-17**

3.1 Performance report

This is the twelfth annual report and accounts for Transport Focus, formerly known as Passenger Focus, covering the year to 31 March 2017. Our achievements this year for transport users, including road users, train, bus, coach and tram passengers, are set out in Section 2: Making a difference for all passengers.

Nature of business

Transport Focus² is an executive non-departmental public body set up to protect the interests of Britain's rail passengers; England's bus and tram passengers outside London; coach passengers in England on scheduled domestic services; and users of England's motorways and major 'A' roads. We are sponsored by the DfT but our operations and policy-making are independent of government.

Financial structure of business

Transport Focus is funded by grant in aid from the DfT and £4,919,000 was received in 2016-17 in respect of bus and rail users (2015-16: £5,039,000) and £2,147,000 in respect of road users (2015-16: £1,033,000). An initial payment was made to provide the organisation with working capital. Subsequent monthly payments have been made by the DfT based upon actual expenditure in the previous month, and forecast future requirements. Transport Focus has agreed its funding requirements with the DfT until 2020.

Operational performance

Our key objectives for the year were:

- Make a difference for all transport users
- Improve today's transport user experience
- Make a long term difference for transport users
- Understand the needs of transport users
- Transparency – be more visible, measuring and reporting performance

Our progress against these, including our achievements this year, are reported in Section 2.

Finance

In 2016-17 the organisation received from the DfT grant in aid of £3,858,000 (2015-16: £3,928,000) for passenger representation operating costs including passenger research, of which £89,000 was deferred to 2017-18 leaving £3,769,000 accountable in 2016-17. Additionally £925,000 (2015-16: £886,000) was received for work on the National Rail Passenger Survey (NRPS), and £225,000 (2015-16: £225,000) for

² Transport Focus is the operating name of the Passengers' Council, formerly known as the Rail Passengers' Council which was officially constituted on 24 July 2005 under the Railways Act 2005 and the subsequent amendments. Transport Focus previously operated under the name of Passenger Focus.

work on the Bus Passenger Survey (BPS). Further grant in aid of £1,885,000 (2015-16: £1,033,000) was received from the DfT for representing users of the strategic road network of which £155,000 was deferred to 2017-18. In addition £417,000 had been deferred from 2015-16 making a total of £2,147,000 road user representation grant-in-aid funding accountable in the year. This year Transport Focus has secured funding totalling £1,207,000 (2015-16: £1,063,000) from third parties for joint and fully funded projects which included £509,000 (2015-16: £743,000) from the DfT.

The organisation incurred net costs of £7,066,000 in the year to 31 March 2017. Some 41 per cent (2015-16: 34 per cent) of our spending has been invested in research on passenger and road user issues which ensures we are able to provide objective evidence to support our campaigns for improvements.

Total taxpayers' equity³ showed a balance of £80,000 (2016: £80,000) at the end of the year and the total grant in aid drawn down during the year was £7,066,000 (2016: £6,072,000).

Resources

The key strength of the organisation is the influence it is able to exert through the knowledge and expertise gained from targeted transport user research, and by working closely with key stakeholders in the roads, rail, bus and tram industry to make a difference for passengers. Our investment in transport user research over the year totalled £3,381,000, including the NRPS and BPS. The main research projects this year have been highlighted in the Review of Activities, and the full details of our research can be found on our website.

Essential contractual arrangements

The primary contractual arrangements for the organisation are for transport user research, including the NRPS and BPS, and our outsourced information technology support and infrastructure provider.

The contracts for the NRPS and BPS are managed through regular reports on performance against service levels, and have been awarded following a competitive tendering exercise.

Payment of suppliers

Transport Focus endeavours to comply with the Better Payment Practice Code and seeks to pay invoices within 30 days of receipt and during the year paid 98.2 per cent (2015-16: 98.0 per cent) of invoices within 30 days, and 74.8 per cent (2015-16: 78.8 per cent) within 10 working days. The average time taken to pay a supplier during the year was six days (2015-16: six days).

Health and safety

It is a legal requirement to provide a safe and healthy environment for our staff and visitors. Our two bases, in London and Manchester, provide a modern working environment for staff.

³ Taxpayers' equity can be defined as the total value of taxpayers' funds in reserves and represents the net value of the assets and liabilities which have been funded by government.

Social and environmental issues

We occupy space in buildings that have stringent environmental credentials. Our office accommodation in Manchester utilises recycled rain water, energy efficient heat pumps, motion sensitive lighting as well as extensive recycling of office waste. Furthermore all redundant electrical items are disposed of in line with Waste Electrical and Electronic Equipment regulations.

In order to minimise the impact on the environment, Transport Focus staff and Board members use public transport wherever possible when undertaking official business. We have continued to make better use of electronic communication and conferencing facilities and undertake these methods wherever possible.

Charitable and political donations

Transport Focus did not make any charitable or political donations during the year.

Corporate governance

Transport Focus has a Board of non-executive members who are appointed by the Secretary of State for Transport (Chairman and six members), the Welsh Government (one member), Scottish Ministers (one member) in line with the Code of Practice issued by the Commissioner for Public Appointments (CPA) and the London Assembly (one member). Their biographies can be found on the Transport Focus website. The Board is responsible for setting the strategic direction and main policies of the organisation, and providing corporate governance and oversight of the finances and operations. The membership of the Board and its committees are listed in the Directors' Report.

Principal risks and uncertainties

The work of Transport Focus relies heavily on its credibility and the primary risk is that the reputation of the organisation is not maintained, which would reduce its ability to influence key stakeholders to secure improvements for transport users. To mitigate this risk, the organisation has established an enterprise risk model which, amongst other things, is used to identify whether a project or piece of work will jeopardise the reputation of Transport Focus.

Data handling

The Cabinet Office published a review of information security in government which set out a wide range of actions required to improve data security. As a non-departmental public body we are required to comply with the stricter guidelines on the handling of sensitive personal data.

Equalities Scheme

In order to comply with the Public Sector Equality Duty, we have produced an Equality Scheme, with an Action Plan linked to the work plan which is available on our website.

In addition to capturing diversity information from our surveys we have implemented a system to capture diversity information from passengers who contact us, so we can ensure we try to represent the communities we serve. The analysis of the

diversity of passengers who contact us showed a similar profile to that from the NRPS, but we will continue to monitor the diversity of passengers who contact us so we can ensure our services remain relevant to passengers.

We continue to co-ordinate a Passenger Accessibility Forum which brings together industry representatives and national organisations representing disabled people. More information about this can be found on our website.

A refreshed Equality Scheme and Action Plan was implemented in 2016-17 and will continue to be monitored to ensure it remains relevant.

Future years

Our three year plan for 2017-2020 sets out our goals and how we will achieve them

- Making a difference for today's transport user
- Making a difference for tomorrow's transport user
- Making Transport Focus an insight and evidence hub
- A modern workplace for great people

Our work plan for 2017-18 sets out what we are planning to change next year and how we will go about it. In the next year Transport Focus will focus on:

- Making a difference for today's transport user by
 - using the National Rail Passenger Survey results to drive improvements for passengers
 - working to improve the passenger experience during service disruption including better communications with passengers and compensation for passengers
 - using the Bus Passenger Survey results to drive change and to understand issues affecting passengers leading to improvement action plans
 - using the Tram Passenger Survey results to drive improvements for passengers
 - measuring satisfaction amongst users of England's strategic roads and use this to drive improvements
 - publishing findings about how road users want road surfaces improved, road users' experiences of using 'smart motorways', customer satisfaction with motorway services in England
 - mediating 'deadlocked' rail complaints and other issues raised by rail passengers
- Making a difference for tomorrow's transport user by
 - protecting and strengthening rail passenger rights set out in the National Rail Conditions of Travel, operators' complaints handling procedures, disabled people's protection policies and passenger's charters
 - responding to consultations on changes to ticket office opening hours and provision of station facilities

- working to ensure passengers are involved in decisions about how major engineering works are carried out
 - working with the Department for Transport (DfT), bus operators and the Rail Delivery Group to improve ticket retailing, including the use of smartcards
 - ensuring rail franchises are shaped by effective engagement with passengers to understand and reflect their needs and priorities
 - ensuring bus passenger views shape changes arising from the Bus Services Act and that any franchising arrangements have user needs at their core
 - working with Highways England, DfT and ORR to ensure decisions about the second Road Investment Strategy are closely aligned with road users interests
 - ensuring that the voices of all transport users are heard, including those with disabilities
- Making Transport Focus an insight and evidence hub through delivering our insight plans and by leading thinking on innovative ways of gathering user satisfaction, measuring performance, handling complaints effectively and improving user experience during disruption
 - A modern workplace for great people by ensuring we recruit and retain high quality people who are able to flourish to make a difference for transport users

For the year 2017-18 the organisation has agreed funding of £4,456,000 to cover work representing the interests of rail, bus, coach, and tram passengers and a further £1,745,000 to represent users of the SRN. Following the spending review 2015 grant in aid funding has been agreed with DfT until 2019-20.

Accounts and Audit

Under paragraph 8(2) schedule 5 of the Railways Act 2005, the Secretary of State for Transport with the approval of the Treasury, has directed Transport Focus to prepare a statement of account for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of Transport Focus's state of affairs at the year-end and of its income and expenditure and total recognised gains and losses and cash flows for the financial period. In preparing the accounts, Transport Focus is required to comply with the requirements of the Government Financial Reporting Manual.

Transport Focus accounts form part of the DfT group accounts which are available at www.dft.gov.uk.

Anthony Smith

Chief Executive and Accounting Officer
12 July 2017

3.2 Accountability Report

Directors' Report

During the year there have been up to 10 non-executive directors at any one time who are detailed below. In addition there were four executive directors, Anthony Smith (Chief Executive), Nigel Holden (Corporate Services Director) David Sidebottom (Transport Director) and Guy Dangerfield (Transport Director). Further details are available in the Remuneration Report.

Non-executive directors are appointed by the Secretary of State for Transport (Chairman and six members), the Welsh Government (one member), Scottish Ministers (one member) in line with the Code of Practice issued by the CPA and the London Assembly (one member). Board members provide a valuable contribution to the ongoing work of Transport Focus including short term input to one-off operational projects to longer term relationships and external-facing support for major projects such as franchising and fares and ticketing. Current Board members are listed below:

	Date of original appointment	Date current or most recent appointment ends	Current Term (years)	Audit Risk Assurance and Remuneration Committee	Statistics Governance Group	Business Innovation Group ¹	Passenger Contact Group
Members in post at 31 March 2017							
J Halliwell (Chairman)	9 February 2015	8 February 2019	4			√	
S Burgess	1 April 2013	31 March 2017	4	√			√
M Lauder	1 February 2013	31 December 2017	1	Chair			Chair
R Linnard	1 February 2013	31 December 2017	1		√		
I Liu	1 March 2013	31 December 2017	1	√		√	
S Locke ²	9 January 2013	30 September 2017	4		Chair		√
D McCrea ³	1 May 2013	30 April 2017	4				
P Mendelsohn ⁴	1 September 2012	31 August 2020	4		√	√	
P Rowen	1 March 2013	31 March 2017	4	√			
T De Pencier	1 May 2015	30 April 2019	4		√		

¹ The Business Innovation Group is chaired by Anthony Smith, the Chief Executive.

² Appointed by the London Assembly

³ Appointed by Scottish Ministers

⁴ Appointed by the Welsh Government

The Board has corporate responsibility for ensuring that Transport Focus fulfils the aims and objectives agreed with the Secretary of State for Transport and for promoting the efficient and effective use of staff and other resources by Transport Focus.

The Board has four committees and their primary purposes are:

- The Audit, Risk Assurance and Remuneration Committee supports Transport Focus on all matters relating to corporate governance, risk and financial management (including the Governance Statement), remuneration and to oversee the process of internal and external audit. This entails providing advice, guidance and support to the Chief Executive in discharging the role of Accounting Officer.
- The Statistics Governance Group ensures the ongoing integrity of statistical research and compliance with the UK Statistics Authority's Code of Practice for official statistics.
- The Business Innovation Group oversees any business activities Transport Focus may undertake.
- The Passenger Contact Group oversees the effectiveness of the Transport Focus passenger contact function.

No director, executive or non-executive, holds any significant interests which may conflict with their management responsibilities. A register of interests is available on our [website](#).

These statements have been audited by the National Audit Office on behalf of the Comptroller and Auditor General at a cost of £21,000 and no remuneration has been paid for any non-audit services.

Transport Focus participates in the Civil Service Pension arrangements which are described in the Remuneration Report. Note 1.6 of the accounts explains how pension liabilities and costs are accounted for.

Over the year we have maintained policies and procedures to ensure that we have appropriate measures in place for handling any sensitive personal data. These include monthly assurances from information asset owners and quarterly and annual assurances to the DfT. There have been no data-related incidents during the course of the year.

The average number of working days lost due to unplanned absences as a result of sickness was 8.6 days (2015-16: 4.1 days), 3.3 per cent of total staff time (2015-16: 1.6 per cent).

There have been no significant events which have occurred since the reporting period.

Anthony Smith

Chief Executive and Accounting Officer

12 July 2017

Statement of Accounting Officer's responsibilities

Under paragraph 8(2) schedule 5 of the Railways Act 2005, the Secretary of State for Transport with the approval of the Treasury, has directed Transport Focus to prepare a statement of account for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of Transport Focus's state of affairs at the year-end and of its income and expenditure and total recognised gains and losses and cash flows for the financial period. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume Transport Focus will continue in operation.

The DfT's Principal Accounting Officer designated the Chief Executive of Transport Focus as Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is responsible, for keeping proper records and safeguarding Transport Focus's assets, are set out in HM Treasury's *Managing Public Money*.

At the time of approving this report, so far as I am aware, there is no relevant audit information of which Transport Focus's auditors are unaware and I have taken all reasonable steps I ought to have to make myself aware of any relevant audit information and to establish that Transport Focus's auditors are aware of that information.

I take personal responsibility for the annual report and accounts and the judgements required for determining that as a whole, it is fair, balanced and understandable.

Anthony Smith

Chief Executive and Accounting Officer

12 July 2017

Governance statement 2016-17

Scope of responsibility

As Accounting Officer I have responsibility for managing and controlling the resources used in Transport Focus to achieve our aims and objectives as set by the Framework Document agreed with the Department for Transport. In accordance with the responsibilities assigned to me in Managing Public Money, I am personally responsible for safeguarding the public funds and organisational assets. I am responsible to the Director General of the Rail Group, Director General Roads, the Department for Transport's Principal Accounting Officer, and to Parliament for ensuring value for money, regularity and propriety in deploying all the organisation's resources. This governance statement sets out how my governance responsibilities have been achieved.

Governance structure

During the year Transport Focus has had up to 10 board members at any one time; the Scottish Government, Welsh Government and the London Assembly each appoints one, with other members appointed by the Secretary of State for Transport. The membership of the board during the year is shown in the Management commentary. Two members' appointments expired during the year.

The Board's key roles, supported by Transport Focus staff, are to:

- Set the organisation's strategy
- Agree Workplans, budgets and KPIs and oversee performance against these
- Oversee the organisation's operations, including finances, remuneration and risk assessments
- Set the policy framework, and agree lines on major policy issues facing transport matters.

An Audit, Risk Assurance and Remuneration Committee, which consisted of up to four non-executive board members during the year, has been established to support the chief executive through monitoring and reviewing the adequacy and effectiveness within the organisation of:

- corporate governance arrangements;
- processes for managing risks;
- internal audit and related activity;
- management responses to the recommendations resulting from internal audit work;
- Matters relating to pay and grading policy and terms of employment; and
- processes and controls to support this governance statement.

System of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be

realised and to manage risks and associated controls effectively, efficiently and economically.

Capacity to handle risk

As Accounting Officer, I have responsibility for reviewing our capacity to handle risk. To effect this Transport Focus has developed and has implemented the following:

- A risk management strategy reflecting the purpose and underlying approach to risk management and the role of the staff and senior management team, which has been approved by the board and made available to all staff on the intranet and
- Organisational and team risk registers identify the main strategic, programme and operational risks which are assigned to individual risk owners. The risk registers include mitigating actions to eliminate or reduce risks wherever possible. Risks are reviewed at the monthly management team meeting alongside regular reporting to the Audit, Risk Assurance and Remuneration Committee.

Risk management

The risk management framework, in addition to the risk registers, is informed by the following process:

- periodic reviews of the risk registers
- identification of key risks when issues are submitted to the board for consideration
- inclusion of risk management as a regular item on the Audit, Risk Assurance and Remuneration Committee agenda
- a management team which meets regularly to consider the operational plans and contingent risks of the organisation
- ensuring Transport Focus's operations and system of internal control comply with the principal best practice recommendations from the Cabinet Office and HM Treasury.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of governance and the system of internal control. My review of effectiveness is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the effectiveness of governance and the system of internal control by the Audit, Risk Assurance and Remuneration Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Transport Focus risk management framework takes account of the Code of Good Practice on Corporate Governance in Central Government Departments issued by HM Treasury, and is put into practice through:

Board

The board received regular updates on progress throughout the year which are discussed at public meetings. The board met six times during the period to:

- consider and approve the Transport Focus workplans for the period including the allocation of resources to deliver those plans
- monitor progress against the workplans for the period through regular reports from the management team
- consider regular financial reports
- consider and approve policies and procedures to be adopted by Transport Focus and
- consider and approve expenditure in accordance with the procurement policy adopted by Transport Focus.

Attendance records at board meetings by board members along with issues discussed are available in the board meeting minutes which can be downloaded from our website www.transportfocus.org.uk.

A full review of Board effectiveness was undertaken during the year to ensure the Board remained relevant, appropriate, and functioning effectively. Details of the Boards remuneration are available in the Remuneration report and details of the Board appointment process are included in the Directors' report on page 24.

The Audit, Risk Assurance and Remuneration Committee

The Audit, Risk Assurance and Remuneration Committee's remit expanded this year to include the responsibilities previously undertaken by the remuneration committee, which now ceases to exist and has been renamed accordingly.

The Audit, Risk Assurance and Remuneration Committee met five times during the period to consider:

- the quarterly financial reports
- the draft annual report and accounts
- the policies and procedures to be implemented by Transport Focus
- the planned activity and results of the external and internal audits
- the adequacy of management response to issues identified by audit on a quarterly basis
- cross organisation pay awards, changes to terms of employment and performance related pay, and
- the risk management policy and procedures managed by the executive.

In addition, the committee regularly reviews information risk, business planning and project management, and scrutinises conflicts of interest and declarations of gifts and hospitality.

The chairman of the Audit, Risk Assurance and Remuneration Committee provided the board with regular reports on the committee's activities and any findings concerning internal control.

Other aspects of governance arrangements

The board also maintains three additional committees to help discharge its governance duties. The statistics governance group oversees Transport Focus's compliance with UKSA's Code of Practice for official statistics and promotes good

practice in research activities. It met four times during 2016-17. The passenger contact group oversees the effectiveness of the passenger contact function, it met three times. The business innovation group met three times and oversees any business activities Transport Focus may undertake.

Internal audit

Internal Audit report to the Audit, Risk Assurance and Remuneration Committee and agree a rolling programme of audit for each forthcoming year according to the board's priorities. Regular audit reports are made, along with the end of year internal audit annual report, as defined by the Public Sector Internal Audit Standards. This includes an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the organisation's system of internal control.

The Head of Internal Audit gave an overall substantial assurance opinion for the year in his annual report. There were five internal audit assignments completed over the year and there were no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement.

The audit assignments this year covered roads remit change management, information risk, statistics governance group data validation, project governance, and additional income. Managers have been assigned responsibility and timescales for implementing the audit recommendations which have either been or are in the process of being completed. Progress against the actions is reported to the Audit, Risk Assurance and Remuneration Committee periodically to ensure the findings are being addressed.

Meetings with the Department for Transport and other stakeholders

The Chief Executive and Transport Focus's senior managers meet with senior officials from within the Department for Transport at regular intervals. These meetings usually occur on a quarterly basis and issues discussed include performance against operational plans, financial expenditure and policy development. In addition, Transport Focus's chairman regularly meets with Ministers and other key stakeholders. Board members from Scotland and Wales meet with Ministers in the relevant devolved assemblies, and other key stakeholders.

The risk and control framework

The key element of our risk and control framework is the Board's commitment to establishing risk appetite for strategic, programme and operational risks. The Audit, Risk Assurance and Remuneration Committee reports twice yearly to the board where it summarises risk management activity and provides an in-year opinion. Transport Focus's head of business services meets with each risk owner at the end of each quarter to review both risks and controls, and subsequently formally discusses these with me. Headline corporate risks were reviewed during the year and the primary risk for the organisation is a loss of reputation which would affect our ability to influence stakeholders to make a difference for transport users.

Data handling and information risks

I am aware that the handling of information and data is a risk to the organisation. Detailed guidance to all staff on this subject has been issued, and further training

has taken place during 2016-17 for all new staff. Transport Focus's Senior Information Risk Owner (SIRO) implements Cabinet Office guidance, as appropriate, through Information Asset Owners (IAOs) who have been appointed across the organisation and who meet quarterly. As he is required to do, the SIRO has written to me at year end with his opinion on information risk, and has published this opinion via our website. I accept this opinion and note that there were no reportable data handling incidents during the year.

Severance payments

As reported in the remuneration report the ex-gratia payments elements of three non-contractual payments totalling £58,963 were not approved by HM Treasury as required by the Framework Agreement. Transport Focus has put in place additional measures to ensure any future payments are approved in accordance with the delegations set out in the Framework Agreement.

The system of internal control has been in place in Transport Focus for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts, and includes the delegation of budgets and risk ownership to directors and managers. The system of internal control accords with Treasury guidance and continues to be reviewed and developed with further improvements in the pipeline.

Anthony Smith

Chief Executive and Accounting Officer
12 July 2017

3.3 Remuneration and Staff Report for the year ended 31 March 2017

The Remuneration Committee was merged with the Audit and Risk Assurance Committee (ARARC) during the year. ARARC was made up of up to four non-executive Board members in the year: Marian Lauder (Chair), Isabel Liu, Paul Rowen and Stuart Burgess. In addition to activities undertaken in relation to audit and risk, the Committee considers:

- the overall pay and grading structure for the employees of Transport Focus
- annual cost of living and performance pay increments
- any proposed changes to the terms of conditions of employment of Transport Focus employees
- any proposed changes to the occupational pension arrangements
- the broad policy for the remuneration of executive level staff
- individual remuneration arrangements for executive level staff, and approval of any proposals for subsequent changes to those arrangements
- the level and structure of remuneration for executive level staff.

Any annual increase in the remuneration of Board members is agreed between the Chair of the Board and the DfT. Members of the remuneration committee have not been involved in decisions relating to their own remuneration. In 2016-17 there was an increase of one per cent in members' remuneration agreed by the DfT.

The arrangements for changes to the remuneration of executive Management Team members are the same as for other employees of the organisation. There was a one per cent pay increase for staff during 2016-17.

Our simple annual bonus scheme continued to operate in 2016-17, with a total allocation of £19,000 for achievements in 2016-17, and were approved and paid in May 2017. The Bonus Scheme will continue to recognise exceptional performance by staff in delivering exceptional value, or high levels of professionalism or personal commitment in delivering high quality work. All staff, including members of the Management Team, are eligible to participate in the Bonus Scheme and any awards to members of the Management Team are approved by the Chairman of ARARC.

Board members (audited)

Remuneration paid to the non-executive Board members for the period to 31 March 2017 is set out below:

	Board fees paid in the period ended			
	31 March 2017 £000's	31 March 2016 £000's	Date of Original Appointment	Date current or most recent appointment ends
Members in post at 31 March 2017				
J Halliwell (Chairman)	35	35	9 February 2015	8 February 2019
S Burgess	13	12	1 April 2013	31 March 2017
M Lauder	16	15	1 February 2013	31 December 2017
R Linnard	13	12	1 February 2013	31 December 2017
I Liu	13	12	01 March 2013	31 December 2017
S Locke ¹	-	-	9 January 2013	30 September 2017
D McCrea	13	12	1 May 2013	30 April 2017
P Mendelsohn	13	13	1 September 2012	31 August 2020
P Rowen	13	12	1 March 2013	31 March 2017
T De Pencier	12	11	1 May 2015	30 April 2019

¹ Mr Locke is appointed by the London Assembly and does not receive any fees from Transport Focus for this appointment.

The remuneration shown in the table excludes Employers National Insurance Contributions payable by Transport Focus in respect of these appointments.

Transport Focus does not make any pension provision for Board members, and no other taxable benefits were provided for Board members in the period.

All Board members have a three month notice period, and no compensation terms for early termination in their contracts.

Executive Management Team (audited)

Members of the Executive Management Team are on continuing contracts and their remuneration and pension benefits are set out below:

Single total figure of remuneration				
Name	A Smith	N R Holden	D Sidebottom	G Dangerfield
Job title	Chief Executive	Corporate Services Director	Transport Director	Transport Director
	£000's	£000's	£000's	£000's
2016-17 Remuneration in period in £5,000 bands [2015-16 Comparative]	125-130 [125-130]	70-75 [70-75]	70-75 [85-90]	65-70 [65-70]
Bonus in respect of achievements in 2016-17 in £5,000 bands	N/A	N/A	N/A	N/A
Pension benefits (to nearest £1,000) ¹	28	22	13	27
Total in £5,000 bands	155-160	95-100	85-90	95-100

¹ The value of the pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any decreases due to a transfer of pension rights.

Pension benefits				
Name	A Smith	N R Holden	D Sidebottom	G Dangerfield
Job title	Chief Executive	Corporate Services Director	Transport Director	Transport Director
	£000's	£000's	£000's	£000's
2016-17 Real increase in pension and related [lump sum] at age 60 in bands of £2,500	0-2.5 [N/A] ¹	0-2.5 [N/A] ¹	0-2.5 [0-2.5] ²	0-2.5 [0-2.5] ³
Total accrued Pension at age 60 at 31 March 2017 and related [lump sum] in bands of £5,000	35-40 [N/A] ¹	10-15 [N/A] ¹	25-30 [80-85] ²	15-20 [40-45] ³
Cash Equivalent Transfer Value at End date	706	265	542	274
Cash Equivalent Transfer Value at Start of year to nearest £000	648	231	508	248
Real increase in Cash Equivalent Transfer Value to nearest £000	24	19	10	11

¹ A Smith and N Holden are members of the premium pension scheme whose members are not eligible for an automatic lump sum payment on retirement.

² D Sidebottom is a member of the classic pension scheme whose members are eligible for an automatic lump sum payment on retirement.

³ G Dangerfield was previously a member of the classic pension scheme whose members are eligible for an automatic lump sum payment on retirement.

The main provisions of the pension schemes are set out further below.

'Salary' includes gross salary only. No performance pay or bonuses were awarded to the executive team in the financial year 2016-17 and there were no benefits in kind or non-cash benefits made.

All the directors are contracted to a six-month notice period throughout their period of employment with Transport Focus.

Review of Fair Pay (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisations workforce. This is summarised in the table below.

	2016-17	2015-16
Mid-point of Band of Highest Paid Director's Total Remuneration (£)	127,500	127,500
Median Total Remuneration (£)	41,500	41,000
Ratio	3.1	3.1

Actual staff remuneration, excluding the highest paid director, ranged from £23,025 (2015-16: £15,750) to £76,228 (2015-16: £88,658).

Total remuneration includes salary and non-consolidated performance-related pay. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Staff numbers and related costs (audited)

Staff costs comprise:

	2016-17			2015-16
	Total	Directly employed staff	Others	Total
	£000	£000	£000	£000
Wages and Salaries	2,474	2,195	279	2,328
Social security costs	247	247	-	217
Other pension costs	422	422	-	412
Total net costs	3,143	2,864	279	2,957

There were no high paid off-payroll appointments in either 2016-17 or 2015-16. A high paid off payroll appointment is one which lasts for a period greater than six months at rate greater than £220 per day.

The Principal Civil Service Pension Scheme (PCSPS), also known as “alpha”, is an unfunded multi-employer defined benefit scheme but Transport Focus is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice-pensions.gov.uk>).

For 2016-17 employers' contributions of £339,252 (2015-16: £355,622) were payable to the PCSPS at one of four rates in the range 20.0 to 24.5 per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £44,615 (2015-16: £54,081) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 to 14.75 per cent of pensionable earning. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £1,401, 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £7294.

Average number of persons employed (audited)

The average number of whole-time equivalent persons employed during the year was as follows:

	2016-17		2015-16	
	Total	Permanent	Others	Total
	Number	Staff	Number	Number
		Number		
Directly employed	54	50	4	52
Other	-	-	-	-
Total	54	50	4	52

Permanent staff includes one SCS2 equivalent member of staff and two SCS1 equivalent staff.

Staff

We are committed to equality of opportunity for all our staff, and do not condone discrimination on the grounds of sex, transgender, race and ethnicity, religion and belief, disability, marital status, age, pregnancy and maternity or sexual orientation. The table below shows the split between male and female staff and directors of Transport Focus at 31 March 2017.

	Male	Female	Total
Non-Executive Directors (remunerated)	6	3	9
Executive Directors	4	0	4
Senior Manager	2	2	4
Staff	19	19	38
Total	31	24	55

We are keen to provide our staff with a range of training and development opportunities to ensure they have the knowledge and skills necessary to carry out their responsibilities effectively. During the year we have spent £41,000 to support improved staff performance, including development and communication of the Workplan.

The average number of staff employed rose by two to 54 in comparison to last year as we continued undertake the change in our remit to include representation of road users.

We continued to operate our simple bonus scheme during the year so that we could recognise staff who have demonstrated exceptional performance.

Civil Service compensation scheme - exit package (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Less than £10,000	-	-	-	-	-	-
£10,000 - £25,000	-	2	3	-	3	2
£25,001 - £50,000	-	1	1	-	1	1
Total number of exit packages	-	3	4	-	4	3
<hr/>						
Total cost (£000)	-	72	74	-	74	72

During the year there was one exit which was on contractual terms and three exits were on non-contractual terms totalling £58,963 under separate agreements made with the individuals. The ex-gratia payments elements of the non-contractual payments were not approved by HM Treasury as required by the Framework Agreement and Transport Focus has put in place additional measures to ensure any future payments are approved in accordance with the delegations set out in the Framework Agreement.

All redundancy payments are made in accordance with the provisions of the Civil Service Compensation Scheme which is a statutory scheme made under the Superannuation Act 1972.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the PCSPS. It has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015.

Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3 per cent and 8.05 per cent of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6 per cent and 8.05 per cent for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined

value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Anthony Smith

Chief Executive and Accounting Officer

12 July 2017

3.4 Parliamentary Accountability and Audit Report

Regularity of Expenditure (audited)

Transport Focus has not incurred any losses or made any special payments that must be reported to Parliament, nor does it have any remote contingent liabilities other than that reported in the notes to the financial statements.

Long Term Expenditure Trends (audited)

The net expenditure incurred by Transport Focus over the previous five years is summarised in the table below.

	2012-13	2013-14	2014-15	2015-16	2016-17
Passenger Representation £000	5,412	4,936	4,989	4,962	4,919
Road User Representation £000	-	-	-	1,033	2,147
Total Net Expenditure £000	5,412	4,936	4,989	5,995	7,066

Fees and Charges (audited)

The following information summarises the final report to Transport Focus management team for the period to 31 March 2017 and excludes any joint funded activities. A total contribution of £142,000 was made to overheads over the year.

	Full Cost £000	Revenue £000	Operating Surplus/(Deficit) £000
Additional Consumer Representation	416	416	-
Transport User Research	332	322	-
Net Expenditure	748	748	-

Additional consumer representation activities are delivered through assigning staff to liaise with specific service providers. We set fees to recover, at a minimum, the direct costs of these activities plus a margin to recover an appropriate proportion of management costs.

Transport user research activities are managed market research projects to gather and analyse user evidence. We set fees to recover, at a minimum, the direct costs of these activities, the costs for project management plus a margin to recover an appropriate share of overheads and notional cost of capital.

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I have audited the financial statements of Transport Focus (operating name of the Passengers' Council) for the year ended 31 March 2017 under the Railways Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Railways Act 2005. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Transport Focus's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Transport Focus; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

Transport Focus agreed severance terms with three employees during the financial year, in order to secure a mutually acceptable end to their employments. The resulting exit packages are disclosed in the Remuneration and Staff Report. These agreements had a total cost to Transport Focus of £58,963. The value and nature of these terms came to light during my audit.

Under its framework agreement with the Department for Transport, Transport Focus is required to obtain prior approval from the Department for severance payments, and to comply with HM Treasury's *Managing Public Money*. Under *Managing Public Money* rules, severance payments beyond contractual terms must have HM Treasury approval.

Transport Focus did not apply to the Department or to HM Treasury for prior approval to make these payments, as they were required to do under their framework agreement and *Managing Public Money*. Transport Focus requested retrospective approval from the Department. The Department supported management's case and, as required, sought approval from HM Treasury.

HM Treasury denied this request, citing Transport Focus' failure to follow due process designed to protect public funds; to perform a sufficient value for money assessment; or to formally record the legal advice received in relation to these cases.

For the same reasons, and noting the lack of retrospective approval, I consider that these payments do not conform to the authorities which govern them, and that the expenditure, totalling £58,963, is irregular. I have therefore qualified my regularity opinion.

Qualified opinion on regularity

In my opinion, except for the matter described in the basis for qualified opinion paragraph above, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Transport Focus's affairs as at 31 March 2017 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways Act 2005 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Railways Act 2005; and
- the information given in the Chair's Foreword, Making a difference for all transport users, Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 13 July 2017

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

3.5 The accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Expenditure			
Staff costs	3	3,143	2,957
Depreciation	4	26	26
Other expenditures	4	5,104	4,066
		<u>8,273</u>	<u>7,049</u>
Redundancy provision	10	-	9
		<u>8,273</u>	<u>7,058</u>
Income			
Income from activities	5	<u>(1,207)</u>	<u>(1,063)</u>
Net Expenditure		7,066	5,995

A Statement of Other Comprehensive Expenditure has not been prepared as there has been no other comprehensive expenditure or income in either the current year or prior year.

The Accounting Policies and Notes on pages 49 to 55 form part of these financial statements

Statement of Financial Position as at 31 March 2017

		2017	2016
		£000	£000
	Note		
Non-current assets:			
Property, plant and equipment	6	10	36
Total non-current assets		10	36
Current Assets			
Trade and other receivables	7	311	447
Cash and cash equivalents	8	2,034	1,248
Total current assets		2,345	1,695
Total assets		2,355	1,731
Current liabilities			
Trade and other payables	9	2,275	1,579
Provisions	10	-	72
Total current liabilities		2,275	1,651
Assets less liabilities		80	80
Taxpayers' equity			
General reserve		80	80
Total taxpayers' equity		80	80

The Accounting Policies and Notes on pages 49 to 55 form part of these financial statements

Anthony Smith

Chief Executive and Accounting Officer

12 July 2017

Statement of Cash Flows for the year ended 31 March 2017

		2016-17 £000	2015-16 £000
	Note		
Cash flows from operating activities			
Net expenditure after interest		(7,066)	(5,995)
(Increase)/ Decrease in trade and other receivables		136	11
Increase in trade and other payables		696	214
Increase/(Decrease) in provisions		(72)	(55)
Add : Depreciation		26	26
Net cash outflow from operating activities		(6,280)	(5,799)
Cash flows from financing activities			
Grants from parent department		7,066	6,072
Net financing		7,066	6,072
Net (decrease)/increase in cash and cash equivalents in the period		786	273
Cash and cash equivalents at the beginning of the period	8	1,248	975
Cash and cash equivalents at the end of the period	8	2,034	1,248

The Accounting Policies and Notes on pages 49 to 55 form part of these financial statements

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	General Reserve £000
Balance at 1 April 2015	<u>3</u>
Changes in taxpayers' equity for 2015-16	
Retained Deficit	(5,995)
<i>Total recognised income and expense for 2015-16</i>	<u>(5,995)</u>
Grant in Aid received from the DfT	<u>6,072</u>
Balance at 31 March 2016	<u>80</u>
Changes in taxpayers' equity for 2016-17	
Retained Deficit	(7,066)
<i>Total recognised income and expense for 2016-17</i>	<u>(7,066)</u>
Grant in Aid received from the DfT	<u>7,066</u>
Balance at 31 March 2017	<u>80</u>

The Accounting Policies and Notes on pages 49 to 55 form part of these financial statements

Notes to the accounts

1. Statement of accounting policies

Transport Focus, previously known as Passenger Focus, is the operating name of the Passengers' Council, previously known as the Rail Passengers' Council. Transport Focus is a Non-Departmental Public Body (NDPB) and is sponsored by the DfT and funded by grant in aid.

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Transport Focus for the purpose of giving a true and fair view has been selected. The particular policies adopted by Transport Focus are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to include the revaluation of non-current assets at their value to the business by reference to their current costs.

1.2 Income from operating activities

Income from operating activities represents income in respect of both co-funding of expenditure on passenger research projects, and activities which are fully funded by other parties. Income is recognised on a percentage of completion basis and is accounted for on accrual basis.

1.3 Tangible non-current assets

Expenditure on tangible non-current assets is capitalised. The minimum level for the capitalisation of tangible non-current assets is £2,500 per individual item. Assets are revalued annually if material.

1.4 Depreciation/amortisation

Depreciation/amortisation is provided on all non-current assets, at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

- Furniture and fittings - five years
- Computer equipment - three years
- Leasehold Improvements - remaining length of lease

1.5 Government grants

Grant-in-aid used to finance activities and expenditure which support the statutory and other objectives of Transport Focus are treated as financing and credited to the

General Reserve when received because they are regarded as contributions from a controlling party.

1.6 Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. The PCSPS is an unfunded multi-employer defined benefit scheme but Transport Focus is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation

([http://www.civilservicepensionscheme.org.uk/about-us/resource-](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)

[accounts/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)). Transport Focus makes payments to the PCSPS of amounts to cover the accruing liabilities of the Treasury in respect of superannuation benefits for persons who have been employed in the funded operations, and in respect of the administrative expenses attributable to the liabilities and their discharge.

1.7 Operating leases

Rental payments due under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease. Where the arrangement includes incentives, such as rent free periods, the related benefits are deferred over the full term of the lease.

1.8 Taxation

Transport Focus has no corporation tax liability because funding is provided through grant in aid from the DfT. Activities which involve funding from other parties are subject to VAT and any irrecoverable VAT is treated as an expense.

2. Analysis of Net Expenditure by Segment

	Passenger Representation £000	Road User Representation £000	2016-17 Total £000	2015-16 Total £000
Gross Expenditure	5,913	2,360	8,273	7,058
Income	994	213	1,207	1,063
Net Expenditure	4,919	2,147	7,066	5,995

Costs have been directly allocated to the two activities wherever possible, and shared costs have been apportioned between the two activities on the basis of average staff numbers for each activity.

3. Staff costs

Staff costs comprise:

	2016-17			2015-16
	Total	Directly employed staff	Others	Total
	£000	£000	£000	£000
Wages and Salaries	2,474	2,195	279	2,328
Social security costs	247	247	-	217
Other pension costs	422	422	-	412
Total net costs	3,143	2,864	279	2,957

4. Administration costs and other expenditure

	2016-17	2015-16
	£000	£000
Running Costs		
Passenger research	3,381	2,420
Travel and subsistence, room hire and recruitment	266	282
Printing, postage and office costs	195	146
External services and support	241	158
Information technology support and maintenance	460	540
Board remuneration	148	154
Rent, rates and utilities	303	252
Training and development	41	51
Telecommunication costs	45	37
External audit fee	21	21
Operating lease rentals (excluding rent)	3	5
	<u>5,104</u>	<u>4,066</u>
Non-cash items		
Depreciation	26	26
Total	<u>5,130</u>	<u>4,092</u>

5. Income

	2016-17	2015-16
	£000	£000
Income in respect of joint projects	499	927
Income in respect of activities fully funded by external parties	704	128
Other income	4	8
	<u>1,207</u>	<u>1,063</u>

6. Property, plant and equipment

	Leasehold Improvements £000	Information Technology and Fittings £000	Total £000
Cost or valuation			
At 1 April 2016	94	14	108
At 31 March 2017	94	14	108
Depreciation			
At 1 April 2016	67	5	72
Charged in year	22	4	26
At 31 March 2017	89	9	98
Net book value at 31 March 2017	5	5	10
Net book value at 31 March 2016	27	9	36

	Leasehold Improvements £000	Information Technology and Fittings £000	Total £000
Cost or valuation			
At 1 April 2015	94	14	108
At 31 March 2016	94	14	108
Depreciation			
At 1 April 2015	45	1	46
Charged in year	22	4	26
At 31 March 2016	67	5	72
Net book value at 31 March 2016	27	9	36
Net book value at 31 March 2015	49	13	62

All assets are owned and remain at cost. Assets have not been revalued as a revaluation is not considered to be material to the financial statements.

7. Trade receivables and other current assets

	2016-17 £000	2015-16 £000
Accounts falling due within one year:		
Trade receivables	218	380
Other receivables	9	10
Prepayments and accrued Income	84	57
	<u>311</u>	<u>447</u>

Other receivables include season ticket loans to 8 staff (2015-16: 9) totalling £9,118 (2015-16: £10,375).

8. Cash and cash equivalents

	2016-17 £000	2015-16 £000
Balance at 1 April	1,248	975
Net change in cash and cash equivalent balances	786	273
Balance at 31 March	<u>2,034</u>	<u>1,248</u>

The bank balance is held with the Government Banking Service.

9. Trade payables and other current liabilities

	2016-17 £000	2015-16 £000
Amounts falling due within one year		
Other taxation and social security	81	71
Pension contributions payable	50	49
Trade payables	540	298
Other payables	13	10
Rent Liability	1	7
VAT Liability	34	-
Accruals and deferred income	1,556	1,144
	<u>2,275</u>	<u>1,579</u>

The rent liability has been provided because a rent free period was negotiated for office accommodation, and will be utilised over the lease term. The rent liability includes £1,481 (2015-16: £7,413) which is due within one year.

10. Provision for liabilities and charges

	2016-17 £000	2015-16 £000
Redundancy Cost Provision		
Balance at 1 April	72	127
Provided in the year	-	9
Provisions utilised in the year	(72)	(64)
Balance at 31 March	<u>-</u>	<u>72</u>

11. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2016-17 £000	2015-16 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	211	211
Later than one year and not later than five years	-	312
Later than five years	-	-
	<hr/> 211	<hr/> 523
Other		
Not later than one year	1	3
Later than one year and not later than five years	-	-
Later than five years	-	-
	<hr/> 1	<hr/> 3

Transport Focus has a licence to occupy offices in London and which has been included as a lease obligation because it has similar terms and conditions.

12. Contingent liabilities disclosed under International Accounting Standard 37

In November 2012 there was a premature surrender of the lease for our London offices at Drummond Gate. Although no immediate costs to reinstate the premises were incurred because the agreement is between crown bodies there is a remote possibility that Transport Focus may be required to contribute to the reinstatement costs when the main lease ends in 2017. It is difficult to quantify the amount for any future liability at the date of the accounts so this item has been recorded as an unquantifiable contingent liability.

There were no other reportable contingent liabilities or contingent assets at 31 March 2017 or 31 March 2016.

13. Related-party transactions

Transport Focus is an executive non-departmental public body sponsored by the DfT and is regarded as a related party. £7,214,000 was received from the DfT in Grant in Aid for the year. In addition further transactions totalling £817,440 were undertaken in the year. This included £308,000 for balances outstanding at 31 March 2016.

Rental payments for communal office space in Manchester are made to Highways England who are also regarded as a related party because they are a government owned company which is part of the DfT. Payments made to Highways England totalled £6412.14 for the year. Additionally £156,366 was received from Highways England for jointly funded research.

£173,510 was received from HS2 Limited for Passenger Panel research and a credit balance of £3,600 remains. £20,400 was received from the ORR with a further £45,838 outstanding at 31 March 2017 and £120,000 was received from Train

Information Services for work on passenger information during disruption. During the year a payment of £5,028 was made to the Driver and Vehicle Licensing Agency for work done to recruit road users for our road user satisfaction survey pilot. Although Transport Focus works with train operating companies (TOCs) to deliver improvements for passengers, the TOCs are not considered to be related parties.

None of the Board members or key management staff has undertaken any material transactions with Transport Focus other than their remuneration, or its related parties during the year and none has a financial interest in the TOCs such as to influence their work with Transport Focus.

14. Events after the reporting period

There are no other reportable events after the reporting period. These accounts were authorised by the Accounting Officer for issue on the date of certification by the Comptroller and Auditor General.

15. Financial instruments

As the cash requirements of Transport Focus are met through grant-in-aid provided by the DfT, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Transport Focus's expected purchase and usage requirements and Transport Focus is therefore exposed too little credit, liquidity or market risk.

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