



**Consumer  
Focus**  
Campaigning for a fair deal

# Annual Report and Accounts

2009/10





# Consumer Focus

## Annual Report and Accounts 2009/10

Presented to Parliament pursuant to Section 7 and Paragraph 32,  
Schedule 1 of the Consumers, Estate Agents and Redress Act 2007.

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# About Consumer Focus

Consumer Focus is the consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland. We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do.

Consumer Focus gives a strong voice to consumers on the issues that matter to them and works to secure a fair deal on their behalf.

We work with consumers and a range of organisations to tackle the problems customers face and to achieve creative solutions that make a difference to people's lives.

# Among our achievements

## Energy

Our Extra Help Unit supported 7,000 energy consumers; keeping them connected to their energy supply and recovering a total £880,000.

Thanks to our intervention, British Gas stopped a £640 reconnection charge for many of its customers.

The 100,000 consumers who switch energy supplier every month can now use 13 online price comparison services which are accredited by our Confidence Code.

## Post and communications

Royal Mail acted on our report that more than half of consumers received a 'sorry you were out card' while they were at home.

Big cuts in telephone charges for prisoners were implemented thanks to a previous super-complaint. A peak rate call to a mobile was cut from 63p per minute to 20p per minute.

With consumers confused about how to get the best deal, Carphone Warehouse circulated 200,000 of our mobile phone best deal leaflets in 1,000 of their stores.

## Fair markets

We have shown how 1.8 million consumers lost an average of £242 when goods or services bought in advance didn't show up.

After a Consumer Focus Investigations' enquiry into safety concerns with the side elbow hinge used on a variety of pushchairs, manufacturers, distributors and retailers have now taken greater action to sort it out. Side hinge covers are now being supplied, there are clearer warnings on pushchairs and some manufacturers have completely re-designed the side hinge. In 2009 over 500,000 pushchairs with the side elbow hinge were sold.

We showed how consumers lost up to £3.3 billion from rogue traders and we successfully argued for stronger legal protections.

## Financial services

The Office of Fair Trading response to our Cash ISA super-complaint will save consumers at least £15 million.

## Public services

A powerful report from Consumer Focus Wales led to action to prevent a repeat of the tragic outbreak of *E.coli* O157.

Consumer Focus Scotland's commitment to civil justice reform paid off with proposals for a stronger administrative justice system.

# Chair and Chief Executive's introduction

When we meet international colleagues it is striking the number of times they comment on how well the UK does in terms of ensuring consumer interests are at the heart of public policy making and the way business works. As advocates our first instinct is to point out the many areas where much more needs to be done but, on reflection, consumer bodies can take some satisfaction with what has been achieved. This last year was the first full year in Consumer Focus's life and we are proud of the progress we made.

Helping consumers get a fair deal on energy is the biggest single part of our work. We provided direct help to the most vulnerable consumers by winning more than £880,000 in compensation for more than 7,000 people and ensuring that the rules on disconnecting vulnerable consumers were rewritten. There are encouraging signs that energy companies are getting better at dealing with complaints and this is very welcome. More broadly we are playing an active role in the debate to decarbonise the energy market and crucially, who pays. We will also play a central role in protecting consumers' interests in the development in smart meters.

Postal services are central to everyday life and we continue to press for improvements, for example we revealed that more than half of consumers surveyed had received a 'sorry that you were out' card though they were at home. We continue to argue for more financial and other services to be delivered through Post Offices.

Helping consumers get a fair deal in the financial services market was a new area of work for us last year. By using our legal power to make a super-complaint, in this case to the Office of Fair Trading (OFT), we raised the profile of the difficulty of switching cash Individual Saving Accounts (cash ISAs). As a result, the OFT has introduced measures to address major issues in the cash ISA market which will save consumers at least £15 million.

Digital services have been, and will be, of growing importance for consumers. We identified the barriers to low income consumers accessing the web. Along with lack of access to banking services, this is the main cause of the 'poverty premium' which means that low income consumers pay up to £1,000 per year more for goods and services. Fundamental to our work is protecting consumers' rights and we fought, unfortunately without success, against proposals in the Digital Economy Bill which punish consumers disproportionately on copyright infringement when what is needed is reform of our out-of-date copyright law. Our Mobiles Best Deals leaflet, produced with Ofcom and the Communications Consumer Panel, has been distributed to public libraries and 1,000 Carphone Warehouse stores.

Our new Consumer Focus Investigations team has statutory powers to investigate issues of general interest to consumers. The team has had a very busy start investigating subjects as diverse as dangerous pushchairs for babies and online shopping discounts.

We promote the consumer interest not just in the commercial market place but also in public services. We researched consumer experiences of a range of public services and drew attention to significant gaps in the way Jobcentre Plus provides information and the lack of a consumer-focused strategy for Directgov.

In 2009 the National Social Marketing Centre produced the first online social marketing planning guide and toolbox. Its training programme provided over 4,000 NHS staff with the skills to deliver effective and healthy interventions at local and national levels. This work is a core part of the Department of Health's social marketing strategy 'Ambitions for Health'.

In 2010 the Centre will focus on improving both the quality and cost effectiveness of behaviour change programmes by further developing its suite of guides and on-line tools, training programmes and cutting edge research work.

We work at an international level, as so much consumer policy is determined internationally, and we also work within the nations of the UK. Consumer Focus Scotland's work on user involvement in the scrutiny of public services was critical in the adoption of a user focus duty in the Public Services Reform (Scotland) Bill. The Bill's main purpose is to simplify Scotland's public bodies and regulatory landscape. The user focus element will make provision for the involvement of users of services, putting them at the heart of the inspection of public services.

Consumer Focus Wales has worked with a range of partners to make the progress on the recommendations of the Pennington Report on an *E.coli* O157 outbreak transparent. By shining a light on progress to date, we have highlighted the pressing need for more money and stronger leadership to ensure there is no repeat of the tragic *E.coli* O157 outbreak.

Consumer Focus Post (Northern Ireland) released the groundbreaking *Cross-border post* report to widespread media coverage and support from influential stakeholders and politicians throughout Northern Ireland. No information was previously available publicly that measured the performance of mail between Northern Ireland and the Republic of Ireland; this survey brings to light the unambitious mail service between these two neighbouring jurisdictions.

We are grateful to all our colleagues at employee and Board level across the UK. Talented new employees have arrived and some have left. Our first Chief Executive, Ed Mayo, left last year and we are grateful for all he did for us.



**Lord Whitty**  
Chair



**Mike O'Connor CBE**  
Chief Executive



Electronic 11W 105lm  
220-240V 50/60Hz



# A fair deal on energy...

All too often energy consumers find themselves in difficulty and distress. Prices have stayed stubbornly high and threaten to rise for the foreseeable future; tariffs and bills are confusing; levels of customer satisfaction trail other sectors; millions of consumers face difficult choices about how to keep warm.

At the same time, new policy initiatives come thick and fast from Government and others, with each carrying major implications for consumers. Driven by the needs to decarbonise the economy, drive investment in new generation stock and maintain security of supply, the environment is both complex and dynamic.

Consumer Focus has achieved some significant gains for consumers over the past year.

## Making the energy market work better for consumers

Consumers want good value and service and their expectations from energy suppliers are no different. Unfortunately gas and electricity suppliers were bottom of our Consumer Conditions Survey which looks at customers' responses to 45 different private sector markets and services. We have worked over the past year to urge, encourage and cajole companies to improve and will continue to do so.

### Publishing energy supplier performance

Following negotiations with the Office of Fair Trading and Consumer Direct, we now publish information about the 'Big Six' energy companies' customer service every month, ranking suppliers against each other to encourage competition to improve customer service. Consumers can use this information to help make informed decisions and choices about their suppliers.

### British Gas – meter tampering

Our Extra Help Unit found that British Gas was disconnecting vulnerable consumers for meter tampering and demanding significant up-front payments before reconnecting them. The standard charge of £640 was applied regardless of people's circumstances, including when the company accepted that the consumer was not responsible for the meter tampering. Housing associations and local authorities were also being billed.

We referred the matter to Ofgem, and British Gas agreed not to disconnect vulnerable consumers accused of meter tampering on a 'first offence', rewrote its revenue protection policy and halted the practice of charging £640 before reconnecting vulnerable consumers.

### Consumer Focus Confidence Code – helping consumers switch with confidence

Our Confidence Code is a voluntary accreditation scheme for online energy comparison sites. Accredited sites need to demonstrate that they are impartial, accurate and responsive to consumer needs, listing all of the cheapest tariffs available based on consumers' individual use. Sites are subject to rigorous monitoring and independent audit, meaning consumers can be confident that they are getting good quality information.

We have seen a significant rise in the use of price comparison websites over the past few years. By the end of the year, 13 sites had accreditation and the Energy Retail Association (ERA) reported that over 100,000 people were changing energy tariffs or suppliers every week. We have consulted stakeholders on options for the scheme and it will be relaunched in 2010/11. Ofgem has asked us to extend the Code to include business switching sites and we are currently looking into this.

### **npower charging**

Consumer Focus (and our predecessor body energywatch) has been investigating the issue of potential overcharging for 2.2 million npower gas customers in 2007/08. Over the course of the year we have come closer than ever to an agreement about how to bring the issue to a satisfactory resolution. Our ability to deal directly with energy suppliers on detailed matters of great sensitivity should bring a good outcome for consumers.

### **Doorstep energy sales**

Consumers have continued to be confronted by unacceptable hard sell tactics. We carried out an investigation into, as one consumer put it, 'awful and upsetting marketing practices'. This was prompted by evidence submitted by the Trading Standards Institute (TSI) following its call for a ban on energy doorstep selling. We also identified a rise in direct selling cases reported to Consumer Direct despite a reduction in contacts overall. We submitted our findings to the (ERA) as we identified potential breaches to the self-regulation initiative, the Energy Sure Code.

Following further representation and intervention by Ofgem, ERA agreed to review the Code of Practice to address consumer concerns. It has now said suppliers are committed to respecting the wishes of people who say they do not want to be disturbed by cold calls from sales staff. We continue to work with TSI to address concerns about doorstep selling while pursuing the potential for a doorstep preference scheme, similar to the mail and telephone schemes, as an enduring solution.

### **Smart meters**

Smart meters have tremendous potential for enhancing the welfare of energy consumers, but they present some new consumer protection challenges. We succeeded in ensuring that consumer concerns are at the heart of the decision-making on smart meters. This was reflected in a new public commitment by the Department of Energy and Climate Change (DECC) and Ofgem to address protections needed around new functionality, including data protection and privacy, and remote disconnection and switching.

Working with partners, we succeeded in pushing for smart meters to be provided with a stand-alone display. This was particularly important as three-quarters of the financial benefits for consumers are expected to come from them changing their behaviour when they can see real-time information on energy use. This should help make sure that low-income consumers do not miss out.

### **Helping vulnerable consumers**

#### **Debt and disconnection**

Alarming evidence from our Extra Help Unit (EHU) in March 2009 showed that vulnerable consumers were being disconnected for debt, despite a clear regulatory framework to prevent this. The stories that we heard led to Consumer Focus raising concerns with Ofgem and a joint fast track review of energy suppliers' vulnerable disconnection policies and processes.

The review led to changes to the industry licence conditions, strengthening the protection afforded to vulnerable consumers. Some suppliers responded and changed their procedures. Importantly, the industry trade body, ERA, revised its billing code to monitor suppliers' reconnection policies.

During the review of evidence from the EHU, two companies appeared to be setting unaffordable debt repayment rates, potentially in breach of regulations.

Following best practice recommendations in our vulnerable disconnection report, all suppliers suspended disconnections during the severe winter weather.

## Helping advisers to help consumers

We held events around Great Britain to promote the information, support and advice we provide to help advice providers and other voluntary and community groups in their work with consumers.

The events have raised awareness of Consumer Focus with this key audience. We use the direct contact these advisers and organisations have with consumers to identify trends, shape our policy and campaigns work, and to help us properly target future information and support. We have produced a new suite of information leaflets for consumers and advice providers, to help them to navigate the market, know their rights, make complaints and access free services and support from their suppliers. We will be building up this information over the coming year.

### Potential breaches

British Gas was setting repayment rates at unaffordable levels and didn't take into account customers' ability to pay. It also seemed that reconnection charges were being demanded up front before a prepayment meter could be installed. After talking to British Gas, we felt it necessary to make referrals to Ofgem in February and September 2009 setting out our anxiety about British Gas's debt repayment rates. In December Ofgem opened a formal investigation into the company's debt recovery practices.

ScottishPower voluntarily changed its policy and staff incentive scheme to address our concerns over its prepayment meter debt collection rates, which were nearly five times higher than credit customer levels.

## Fuel poverty

### Our unique role – the coalition

Since our inception we have played a leading role in the development of policies to tackle fuel poverty – which now tops four million households in England and over six million across Great Britain. We used our unique position to bring together a wide range of groups in a Fuel Poverty Coalition. The coalition links the three elements of fuel poverty (price, income and energy efficiency) to organisations that are primarily concerned about:

- the environment (eg Friends of the Earth, Centre for Sustainable Energy, Association for the Conservation of Energy)
- older people, disabled people and children (Age UK, Child Poverty Action Group, Macmillan, Disability Alliance)

with the country's largest voluntary organisation for women (the Women's Institute) and National Energy Action.

### Warm Front

In the Budget, the then Government reversed plans that would have seen the halving of Warm Front grants in 2010. Increasing the Warm Front grant was a major priority for us. The Government listened to our arguments. In the Pre-Budget Report, the Chancellor announced additional funding in 2010/11 for Warm Front of £150 million. The Fuel Poverty Advisory Group and members from the coalition supported our call.

### Mandating social tariffs

Consumer Focus argued that Government needed to take responsibility for social tariffs to help low income consumers pay for their energy. This was accepted in the then Government's energy bill and we gave evidence to the bill committee. We will follow this success with a drive to encourage the new Government to use the mandate to make sure energy price support and social tariffs reach families with children, disabled people and pensioners.

## Setting the standard

Improving the energy efficiency of homes should be a major driver to tackling fuel poverty. We (and coalition members) argued that homes should be brought up to a measured standard and that standard should be equivalent to a home built today. David Heath MP adopted the proposals in his Private Members' bill in 2009. Although the bill did not hit the statute book, the Government relaxed some of its opposition to setting standards. It announced in its new Household Energy Management strategy that it planned to adopt challenging energy efficient standards for social housing. The next challenge is to get the principle of an energy efficiency standard adopted and applied to all those living in fuel poverty and different types of housing and tenure.

## Protecting future consumers

### The low carbon consumer

The need to tackle climate change and fuel poverty and to ensure reliable energy supplies means Britain must change the way it produces and uses energy. Consumers are key to this change – by reducing their energy consumption, producing their own low carbon or renewable energy, and funding investment through their energy bills or taxes. Our work on energy efficiency prioritises the needs of the fuel poor, but calls for a standard for all homes as all consumers are at risk from rising energy prices and the impact of climate change. Consumer Focus has worked with consumer, environmental and industry groups to inform the design of the new Feed-in Tariff. The next challenge is to campaign for a fairer, more cost-effective incentive for renewable heat than initially proposed by the Government.

## Adapting to climate change

The latest science tells us that, while society must act to reduce greenhouse gas emissions to restrict global temperature change to 2°C, current emissions put us on a path to a worse case scenario of a 4°C temperature rise by the end of the century. We researched the potential impact on consumers and found that long-term property and financial investments, such as pensions, are at risk. The Environmental Audit Committee's inquiry into Adapting to Climate Change cited our research and supported our calls for improved management of the risks to existing homes and to food supplies, including the provision of better information to homebuyers and prospective tenants; for the Government to press the insurance industry to encourage and assist homeowners to improve the flood resilience of their homes; and the integration of adaptation measures in retrofitting programmes that are currently limited to energy efficiency. This work has also informed the Government's Critical Infrastructure Resilience Programme.

### Fresh thinking

It is accepted that meeting low carbon targets will not happen without challenging the fundamentals of how we generate, distribute and consume electricity. Consumer Focus published a discussion document *A New Energy Infrastructure* which explores the options and opportunities in the financing and delivery of local energy infrastructure like distributed energy and heat networks. This was fed into Ofgem's RPI-X@20 consultation process and the Department of Energy and Climate Change's household energy management strategy. Ideas from the paper, like franchising of delivery of networks and new network investment having to conform to local Government's spatial plans and heat maps, have influenced the development of thinking in these areas.

# A fair deal on post and post offices...

Many consumers using Royal Mail or post offices have experienced significant change and disruption. The planned Post Office closure programme has taken 2,500 post offices out of local areas and has changed the character of many others. The modernisation programme to renew Royal Mail turned into a long-running industrial dispute, disrupting the mail service and damaging consumer confidence in the service.

We have applied ourselves to the core task of revealing how consumers experience these essential services and how these experiences can help improve the value and quality of the service.

## Delivering on letters and parcels

### Sorry, you were out

Consumers want a reliable and efficient service. When you listen to consumer experiences of mail delivery it quickly becomes clear that many consumers do not feel that they get a good standard of service. Towards the end of 2009 Consumer Focus tried to get behind the real life experience of post users. One of the most alarming results of our survey showed that more than half of consumers said they had received a 'Sorry you were out' card even though they were at home.

This survey was used as the backbone of a BBC Panorama investigation into Royal Mail before Christmas which shone a spotlight on practices which Royal Mail had known about but not tackled. The high levels of publicity were matched by high levels of complaints to Royal Mail which, to their credit, showed a clear commitment to take action to put things right, including introducing new disciplinary procedures.



### Postal strike

Industrial disputes involve fundamental disagreement between management and employees, but they can also seriously affect consumers. Royal Mail missed almost every performance target in the third quarter of the year. While it is difficult to say to what extent these results were down to industrial action, the impact on quality of service to consumers was stark.

Consumer Focus met senior representatives of Royal Mail, the Communications Workers Union and others to discuss the industrial action in post services, and to press for a mediated settlement. We made public calls for the parties to continue negotiations and to bring in a third party, such as Acas, to help mediate the dispute.

Consumer Focus produced a series of tips for consumers during the strike, and we urged utilities and banks to show flexibility over delayed payments that might have been caused by the strike.

## At the Post Office

Over the past year, the process of closing 2,500 post offices and introducing new types of Outreach services has had a significant impact on the relationship of millions of people with a trusted service. But the quality of service and the relevance of product range from the network that remains are important too.

### ‘How Was It For You?’

The Post Office closure programme involved one of the largest and most extensive consumer consultation exercises ever undertaken; around 2.7 million people tried to express their views. Our research highlighted lessons to be learnt from Post Office Ltd (POL) handling of consultations during the programme; consumers gave POL only 4.2 out of 10 on average for consumer communications. These lessons have been warmly received by MPs and stakeholders. They have enabled us to identify recommendations for changes to the Code of Practice on ‘business as usual’ closures and, in the context of likely future budget constraints, to promote more widely the importance of effective consultation in the event of changes to the provision of local services.

In November 2009, the Public Accounts Committee reported into the handling of the Post Office closure programme. The consumer protection duties undertaken by our predecessor, Postwatch and inherited by Consumer Focus were recognised as having ‘considerable influence’ in securing changes in the period in which POL was developing its closure proposals.

## In the field

Our Network Advisor has led active investigations and interventions in respect of specific Post Office issues, including providing support and advice to MPs and stakeholders on Outreach services, quality of service issues, branch accessibility and other issues. The advisor also carried out research on the introduction, and consumer experience, of using Outreach services.

### Increased safeguards

Successful implementation of the Code of Practice we operate with POL on changes to the network has delivered increased safeguards for consumers since it commenced in April last year. One critical example of these safeguards is that POL is now required to engage with local authorities as it develops plans for changes to local services, and changes to Outreach services are subject to public consultation arrangements for the first time.

Those who know most about the likely impact of closure now have a real say in what changes take place and how consumers can be protected from the worst consequences of them.

### Post Office standards of service

Our tracker research has again demonstrated deep-seated problems with queuing times and variable levels of service at post offices. This work has also highlighted the need for POL to address these problems as a priority if the potential the network has to offer banking and other innovative services is to be realised.

# A fair deal for consumers of financial services...

The global financial crisis has had a very personal impact on consumers. For those at the margins of mainstream financial services and for those who have many relationships with financial institutions, decisions about the shape of regulation, markets and consumer protection are critical.

Consumer Focus announced its arrival on the scene with a super-complaint on cash ISAs and a strategic look at the priorities for sound policy development across the sector.

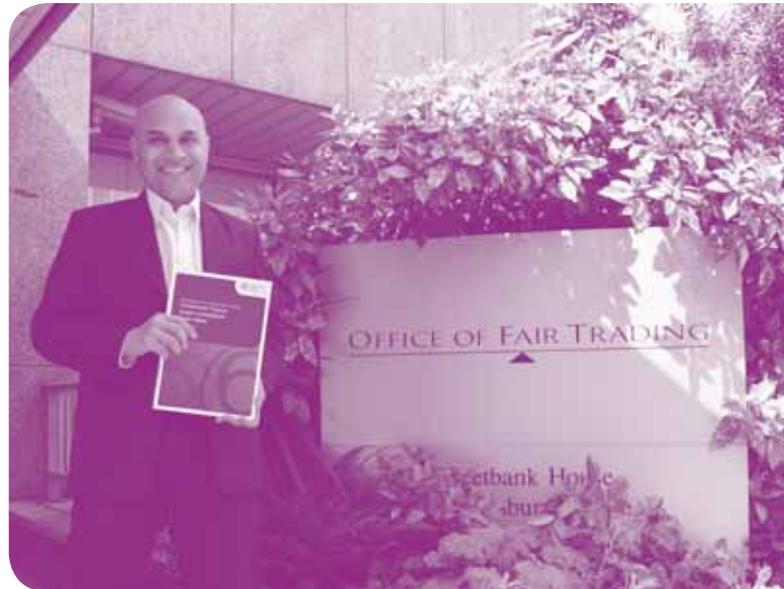
## Putting the consumer in the frame

Financial services have not always been a large part of our work. However, at the heart of our mission and value for consumers is a cross-sector approach to markets and services, with a particular responsibility to consumers on a low income or at a disadvantage. We take insight and learning from across the economy and bring it to bear where it is most needed. We have looked at the issues from the point of view of different groups including those not using banking services, consumers on low incomes with no savings and right-to-buy owners struggling to pay their mortgages. That is why Consumer Focus is now making a larger contribution to getting consumer interests put first at a time of considerable scrutiny and reform in these markets.

## Focus on Finance

Consumer Focus developed the Focus on Finance initiative to identify and examine, from a consumer perspective, the big questions arising in financial services markets.

Eminent thinkers in the field of financial services were invited to give attention to some of the critical issues emerging from financial services markets as they might affect consumers.



Prashant Vaze, our chief economist, submits the super-complaint

A series of high level seminars held in London stimulated discussion on the character of regulation, consolidation of the banking sector into giant companies, the value of 'free' services and combating the poverty premium. The discussions were led by influential contributors including economist John Kay, consumer advocate John Howard, Chair of the Financial Inclusion Panel Brian Pomeroy and former Treasury Chief micro-economist Paul Johnson.

Consumer Focus has produced four papers detailing the outcomes of each seminar and these, alongside the discussion papers and exclusive podcasts, can be found on our website. The discussions have helped Consumer Focus crystallise our ongoing programme of work around effective regulation, good value from financial products and services and the need to champion the interests of those on the margins of mainstream financial services. The seminars have also helped us to build partnerships with key stakeholders to take this work forward.

## ISA super-complaint

In March 2010 we submitted our first super-complaint, on the cash ISA market, to the Office of Fair Trading. We estimate that 15 million cash ISA holders could be losing out on interest worth up to £3 billion a year because of the way the market operates. Millions of people have invested in these savings products as a way of supplementing pensions. The marketing and structure of these products which typically see initial interest rates plummet after a matter of months and which discourage switching to get a better deal, through unnecessary delay and complexity, are failing consumers.

Our super-complaint achieved phenomenal media coverage, helping to raise consumer awareness of the issue. Support from consumer advocates and campaigners including the Financial Services Consumer Panel, Which? and MoneySavingExpert.com showed that the super-complaint had addressed a crucial part of the financial services market that had fallen into disrepute. An early day motion, supported by many MPs, called for more help to enable consumers to switch providers more easily.

The OFT has now announced measures to cut the length of ISA transfers to 15 working days which could save consumers up to £15 million. Removing multiple layers of complexity, confusion and delay will mean that consumers can more easily understand what sort of shape their savings are in and whether they would be better off switching account.

## Credit and store card review

Following our work on the subject, we welcomed the Government announcement on measures to ensure that the most expensive debts on consumers' credit cards are paid off first. This will put vital pounds back in to the pockets of consumers.

## Post office banking

The banking crisis has undermined consumer confidence in High Street banks and prompted a growing interest in the potential of the Post Office network to offer an antidote by acting as a 'neighbourhood bank'.

Consumer Focus has established itself as an authoritative and influential voice in this debate. We have identified and promoted the benefits that Post Office banking could deliver for distinct groups of consumers including those on low incomes, in rural areas and those frustrated with their bank. Our unique position as the statutory consumer body on the Post Office network meant we could use our experience to detail the real challenges facing the proposal and the constructive way forward to a solution.

At the heart of this work is very high quality research into what the target groups of consumers need, what banking product would meet that need and how they would feel about accessing such an account through the Post Office. Our findings and recommendations, in our report *Opportunity knocks*, gained considerable traction within Government and beyond and were instrumental in the Government's decision to introduce new banking products and credit union access through post offices.

# A fair deal in communications markets...

Consumer use of different communications technology and platforms is one of the fastest changing parts of the economy. The speed of change, the emergence of new products and services, and our reliance on them carry the risk that consumer protections lag a long way behind a fast-moving market.

## Mobilising consumers to get a better deal

Consumer Focus research discovered that only one in five consumers finds it easy to get the best deal in the mobile phone market with many feeling it is too complex and there are too many tariffs. We estimated that there may be as many as 1.3 million tariffs. No wonder that 67 per cent of consumers feel there are too many to be able to make an informed decision about the best deal.

To give consumers a fighting chance, we wanted to get some good, basic advice out into the market place. Our promotion campaign in the media resulted in a ten-fold increase in traffic to BillMonitor, the only accredited website offering independent tariff information. We published a mobiles best deal pamphlet with Ofcom and the Consumer Communications Panel to help consumers get the best deal.

The Society of Chief Librarians sent the pamphlet to all local libraries. Carphone Warehouse circulated 200,000 in 1,000 of their stores nationwide. If we can get in-store terminals to give customers access to accredited switching sites as a next step we will be giving more consumers the advice where and when they need it.



## Merger of Orange & T-Mobile

Empowered and informed consumers can get better deals, but if competition shrinks and removes real choice then consumers become disempowered. Consumer Focus pushed hard to ensure the proposed merger of Orange and T-Mobile was put through a rigorous assessment of its impact on UK consumers.

With the Communications Consumer Panel we set out our concerns to the European Commission. During the merger approval process, some concessions were made by the two parties which would safeguard the position of Hutchison 3G in the market and balance the radio spectrum holdings of mobile network operators.

## Green claims

We are surrounded at every turn by marketing and advertising claims. Increasingly those claims strike at our growing concern about the environmental impact of our consumption. We conducted research with consumers on green claims in advertising, looking at what they understood by these claims and making recommendations to business and regulators on how to communicate effectively with consumers on green issues.

This research was influential in the UK but also with the European Consumer Consultative Group and the World Environment Centre Executive Roundtable, sharing the findings among an international audience.

As a result we have helped to focus the work on green claims from the Organisation for Economic Co-operation and Development and were cited in the European Commission's Unfair Commercial Practices Directive guidance.

## **Making Digital Britain work for consumers**

Access to broadband has become ever more important if consumers are to take advantage of better value goods, navigate public services and enjoy the convenience and benefits of a digital world of advice and support. But we know that millions do not, or cannot, access broadband at a useable speed or in some areas at all.

The Digital Britain strategy includes 'universal access to today's broadband by 2012'. Aside from physical availability, the common conception is that money, or lack of it, is the main barrier to taking up internet access at home, especially for low income consumers.

However, Consumer Focus research published in *Broadband minded?* has offered clues that money is one, but far from being the only, factor stopping consumers engaging with the internet.

Consumer Focus investigated further, asking low income consumers about their attitudes to broadband and what motivates them to get it. This is the real starting point if the Digital Britain ambition is to become real.

## **Getting copyright, right**

Copyright law gives copyright owners the exclusive right to copy work, such as music and film, issue copies to the public and make changes to the work. Doing any of these without the permission of the copyright holder is against the law. For example, anyone copying purchased music CDs to play on an MP3 music player, an activity known as format-shifting, is breaking copyright law. Our research showed that 73 per cent of British consumers are 'never quite sure what is legal and illegal under current law'.

Copyright law exists to encourage creativity and innovation for the benefit of society as a whole. To do this it needs to balance the interests of creators, investors and consumers. A key issue for Consumer Focus over the past year has been working towards making the law more balanced in consumers' favour and ensuring that enforcement of the law is fair and reasonable.

This tension came to a head with the Digital Economy Bill which, among other important measures, sought to provide a fast track to disconnect consumers who had infringed copyright through peer-to-peer file-sharing. Consumer Focus campaigned against this enforcement approach because it treats the symptoms not the cause, punishing consumers rather than reforming out-of-date copyright law and invigorating a sluggish legal market for downloading products.

# A fair deal in public services...

You may not think much about them until you need them, but when you need them...

Access to public services is important to all. For many consumers they form a critical part of their lives. Ease of access, efficient navigation of what is available and good customer service should be hard wired into the delivery of all public services. Our work over the past year shows that this is not always consumers' experience. It has become a large part of Consumer Focus's mission to help public services put the consumer at the heart of how services work.

Here are just two examples of this approach.

## Jobcentre Plus

As the economic downturn deepened, Jobcentre Plus became an ever more important public service for millions of people. The pressure on the service and its staff increased, but our research showed that they were not helped by a variable level of customer service and a failure to realise the commitment to a personalised service for jobseekers.

Our research also revealed significant gaps in the ways in which Jobcentre Plus provides information about basic employment services, the wider range of support services available and signposting to other sources of important information.

We have worked with Jobcentre Plus, the Department of Work and Pensions and a wide range of employment service providers to understand what practical steps are available to a service that is under pressure from greater numbers of jobseekers and pressure on public sector budgets.



We have urged the service to improve its information provision and overall communications so that consumers are better informed and more able to understand their entitlements and what services are available that would best suit their needs.

An important first step is to produce a dedicated Jobcentre Plus Customer Charter that helps users help themselves and enables a culture of good customer service to emerge.

## Directgov and online public services

Directgov is the Government's official website for the general public. It promises to 'provide information and online services for the public all in one place'. In line with Government's ambition to migrate public services online, Directgov has steadily increased the quantity of information available.

Our research indicated that consumers found the site more like a huge bric-a-brac stall than a service superstore. There was too much information competing for space, too little navigation and too little ability to actually do things online.

Our research suggests that Directgov has grown into a massive service without a clear consumer focused strategy. Quite rightly attention has been paid to joining up communication across services and finding cost-effective ways of delivering services. But there has not been the same focus on reaching a better understanding of consumers and developing provision around the needs of users. The result is a service built around internal rationalisation processes, as opposed to clear, evidenced ideas about consumers' expectations.

For an empowering and enabling service like Directgov, not to start from the perspective of how the user can be empowered and enabled, is to build into the system a degree of failure. Consumer Focus has been reaching out to users, web designers, public service managers and others to build a community of people ready to help Directgov design its way to a better service, more suited to the needs of its users.

## Consumer survey

For the first time Consumer Focus carried out a survey to test consumer experiences of public services. The research was conducted in March 2010 and the results will provide insight for those who manage the design and delivery of these services to put the user experience at the heart of their work for consumers.

We have also begun research into consumer satisfaction with the police service and will report in 2010/11.

# A fair deal for consumers through regulation and redress...

Consumer Focus works across sectors, markets and services. We need to understand how consumers experience their relationships with different types of organisations and how those experiences should influence the development of effective regulation and redress.

## **A picture of consumer conditions in the private sector**

In December we published our review of consumer experience across core private sector markets. A total of 5,862 telephone interviews were conducted across the UK by Ipsos MORI on behalf of Consumer Focus. The Consumer Conditions Survey is the only piece of research and analysis in the UK which gathers consumer perceptions of market conditions on such an extensive scale and in such a detailed and systematic manner.

Not only does the survey provide important guidance to markets regarding their relative standing with consumers, it provides Consumer Focus, and others, with a good grounding on where consumers are least happy and where we should focus our efforts.

## **Promoting better regulation in the interests of consumers**

We maintained our position as a leading advocate for better regulation, arguing that while regulation can be critically important, the consumer interest does not always demand more regulation, and that decisions to introduce new rules should be evidence-based.



We would like to see regulators involve consumers more effectively in priority-setting, so that regulation does a better job serving the people it is supposed to be there for. Our Deputy Chief Executive chaired the Food Standards Agency advisory committee on consumer engagement, which prompted a number of practical changes in the Agency's strategy development and working practices. We helped shape the emerging Financial Services Authority strategy on consumer engagement.

The Deputy Chief Executive also sits, in a personal capacity, on the new Regulatory Policy Committee, which scrutinises regulatory decision-making and how well Government decision-making assesses the costs and benefits of proposals. He has been involved in advising Government on future approaches to economic regulation, sitting for example on the Department for Transport's advisory group on the economic regulation of airports. Consumer Focus also worked with the Better Regulation Executive on a number of economic regulatory issues.

We have continued to use our influential report *Rating Regulators* as a basis for looking at regulatory effectiveness. The Office of Rail Regulation used the framework in that report to assess its own performance. We published a further pamphlet, *Regulating in the Consumer Interest*, which sets out practical proposals for more focused, consumer-centred approaches to regulation and more strategic relationships between government departments and regulators.

## Presenting the case for more effective redress

New research for Consumer Focus revealed how rife underhand sales practices are across Britain. Three in five consumers said they had fallen victim to traders who had acted illegally in the last two years. The report, *Waiting to be heard*, estimated the cost to consumers at £3.3 billion a year.

Among the most common misleading practices were consumers being told they were a lucky winner, when in fact they had to pay high phone charges or postage to receive a low-value prize. Consumers were also deceived by bogus claims such as 'absolutely free', 'offer must end Monday' and 'closing down sale'. Persistent sales calls leading consumers to buy or sign up to something simply to get rid of the salesman were also found to be another common illegal practice. Consumers were left £175 worse off on average. Although some people suffered no financial loss, the highest loss was more than £800.

As part of the report we asked the Department for Business, Innovation and Skills (BIS) to pilot the Consumer Protection Regulations in the Civil Sanctions Pilot Programme. Its agreement to this means that consumers who have suffered a direct loss as a result of a breach of these regulations will now have an appropriate avenue to receive compensation.

## Paying up front for goods and services

In August 2009 we launched *Pay now, pay later*, to bring pressure on Government to introduce tougher protection for consumers who pay up front for goods or services, such as electrical goods, furniture or holidays. We found that a staggering one in 10 consumers don't get the goods or services they pay for in advance. That amounts to some 1.8 million people in the last two years with an average loss of £242 each.

This campaigning led to specific measures to secure consumers' contributions to Christmas savings clubs and a wider commitment in the White Paper, *A better deal for consumers*, to review how the prepayments are regulated.

# Teams working across the Consumer Focus family...

## In Glasgow...

### Extra Help Unit (EHU)

We have powers under the Consumers, Estate Agents and Redress Act 2007 (CEAR) to investigate energy and postal complaints for vulnerable consumers.

We also have a legal duty to investigate when consumers are disconnected, threatened with disconnection or have prepayment meter faults, dealing with small business consumers as well as domestic consumers.

In our first operational year the EHU dealt with 7,000 cases and obtained almost £880,000 compensation for consumers through negotiation with suppliers. Of our contacts 89 per cent were from domestic consumers and 99.5 per cent related to energy.

In addition to investigating and resolving complaints the EHU identified and highlighted many key policy and practice issues within the industry – including vulnerable consumers being disconnected and suppliers not considering the ability of consumers in debt to pay.

We deal with consumers referred by agencies which are unable to resolve the problem, primarily Consumer Direct but also Ofgem, the Energy Ombudsman and parliamentarians. We have an Executive Liaison Team to respond to high level correspondence and investigate referrals from MPs, MSPs and AMs.

## In Cardiff...

### Consumer Focus Investigations

Formed in January 2010, this team leads our investigations examining important and sometimes high profile consumer issues. When appropriate this involves using our statutory powers to obtain information. The team receives referrals from stakeholders who work directly with, or have knowledge about, the issues that are important to consumers.

The team's first major project looked at the safety of side-hinge mechanisms on fold-up pushchairs following the voluntary recall of Maclaren pushchairs in the US. As many manufacturers use similar hinges we were concerned that this may prove to be a wider safety issue for consumers. The team is working with Trading Standards and the industry to establish whether more can be done to minimise the risk of injury to consumers.

Consumer Focus Investigations was set up to exercise the powers of investigation given to Consumer Focus by the CEAR Act 2007.

### Consumer Focus Labs

Consumer Focus Labs was established to develop innovative websites and tools to make people's dealings with companies fairer, save them money, or keep them informed about products or issues that are important to them.

Its Recalled Products website makes product recall notices available to consumers in a variety of easily accessible formats, empowering consumers to make better decisions and helping to keep them safe.

More than 10,000 people signed up to a website which helps consumers reduce unwanted junk mail and cold calling, in less than a month. StayPrivate.org provides an easy way registering with the Direct Marketing Association's (DMA) various preference services.

## In London...

### **National Social Marketing Centre (NSMC)**

Social marketing is about encouraging positive behavioural change and its use can improve the impact and effectiveness of campaigns. The public sector – in particular, health – is the main area of NSMC work. In keeping with our mandate from the Department of Health, our primary 'customers' are those working at the consumer end of health promotion: those in the NHS, Primary Care Trusts, Strategic Health Authorities, Public Health Observatories and local authorities. This year we trained 6,000 NHS staff to use the social marketing process.

We also worked with the Chartered Institute of Marketing and the Marketing and Sales Standards Setting Body to codify a set of standards for those offering social marketing consultancy and to inform marketing courses and qualifications.

Our work on developing a network of academics and institutions to embed agreed standards across a range of curricula and courses will ensure a continued growth in numbers of qualified, knowledgeable, and skilled future practitioners both in marketing and in public health.

Our remit also extends across government and across sectors. This means that we our focus is on working with anyone who is either commissioning or developing behavioural interventions for a social good.

This year we produced the first online 'Social Marketing Planning Guide and Toolkit' to codify the process for planning a social marketing intervention. The resource provides a step by step guide on how to plan an intervention and provides over 50 tools and guides to help with this process.

In addition we have recently delivered tailored versions of the resource focussing on early presentation of cancer symptoms in the NHS in England and also a version commissioned by NHS Scotland to meet their local needs. We are looking at further developments of this as a product to meet a range of topics, issues and audiences.

# Consumer Focus Scotland



## Widening access to justice

We used our research into the experiences of individual civil court users to influence the Gill Review Policy Group review. Our research was conducted with the Scottish Legal Aid Board, with the involvement of Sarah O'Neill, our Head of Policy and solicitor, who was a member of the Review Policy Group. The review's report set out a more user-friendly approach to the civil court system. We also published a comprehensive report on reforming Scotland's wider civil justice system to make it more accessible, affordable and user-friendly. We published the second report of the Administrative Justice Steering Group, following which the Scottish Government announced that it will take forward proposals for a Tribunals Service for Scotland to ensure that the administrative justice system is better able to meet the needs of users.

## Tackling fuel poverty

As a member of the Scottish Fuel Poverty Forum we joined partner organisations in calling on the Scottish Government to extend the Energy Assistance Package to include more families. It announced that the scheme would be extended to a further 10,000 households in January 2010, enabling them to benefit from an average additional £900 per year saving.

## Supporting post office services

Our research on the impact of the Network Change Programme in Argyll and Bute set out a series of recommendations for improving consumers' experience of post office services in Scotland. One of these was the establishment of a Post Office Diversification Fund to support the development of local post offices, which the Scottish Government announced in February 2010 it would set up as part of its budget plans.

### **Giving parents a voice**

The Schools Consultation (Scotland) Act was passed by the Scottish Parliament in November 2009, giving new rights to parents on school closure proposals. This followed our research and advocacy work on giving a voice to rural communities in decisions about school closures and will ensure that parents must be fully consulted on future proposed changes to schools in their area.

### **User focus for public services**

Our work on user involvement in the scrutiny of public services was critical in the adoption of a user focus duty in the Public Services Reform (Scotland) Bill. The Bill's main purpose is to simplify Scotland's public bodies and regulatory landscape and the user focus element will make provision for the involvement of users of services, putting them at the heart of the inspection of public services.

### **Protecting tenants**

We published a joint policy paper with Shelter Scotland on improving the private rented housing sector in Scotland for the benefit of consumers. A key recommendation in the paper was for the establishment of a tenancy deposit scheme. The Scottish Government has now announced plans for the introduction of a national scheme for safeguarding tenancy deposits to support tenants in getting their deposits back.

### **Improving broadband availability**

Our Digital Britain seminar brought together a diverse range of organisations and interest groups to discuss how Scotland can fully benefit from the Digital Britain report and develop its own broadband strategy. We also hosted a visit by Stephen Timms MP, then Minister for Digital Britain, with key stakeholders on the same topic. Scottish and UK Government Ministers have subsequently met to discuss these issues. The Scottish Government is also conducting research into developing an evidence-based broadband policy for the future.

### **Safe food and healthy eating**

We worked in partnership with the Food Standards Agency in Scotland to run the safe food and healthy eating schools calendar competition for primary schools. Over 4,000 entries were received from primary school children across Scotland, double the previous year. TV chef James Martin presented the winning pupil from Killermont Primary School, Bearsden, with her prize at a cookery demonstration.

### **Empowering consumers**

We completed the revision and reprinting of our range of consumer guides, which help people to improve their awareness and understanding of their rights on a range of important consumer issues. Our marketing campaign promoted the guides to thousands of advisers and other intermediaries who work with consumers who could potentially benefit from them.

## Consumer Focus Scotland development projects

Consumer Focus Scotland manages a range of successful national development projects, funded by the Scottish Government.

### The healthyliving award

The healthyliving award works with the food service sector in Scotland to make it easier for people to eat healthily when they eat out. More than 915 businesses and other food outlets have now achieved full award status and around 300,000 people a day eat in establishments with the award. During 2009/10 significant progress has been made by NHS catering outlets with representatives from NHS boards across Scotland picking up healthyliving award certificates at the Health Promoting Health Service Conference. In 2009 Shona Robison MSP (Minister for Public Health and Sport) helped us launch the healthyliving award plus, available to food outlets which have demonstrated a clear commitment to healthier eating by holding the original healthyliving award for two years. We also sponsored the Healthier Scotland Award at the Catering in Scotland Excellence Awards 2010.

### Health Rights Information Scotland

Health Rights Information Scotland produces nationally relevant information about patients' health rights and about the health services that are available from the NHS in Scotland. During 2009/10 we launched a multi-lingual online and DVD guide to NHS services, launched a new resource on caring and consent, worked with NHS Health Scotland to design a poster reassuring young people about confidentiality when accessing NHS services and revised our *Making a Complaint about the NHS* leaflet. Our *Have Your Say* leaflet was also highly commended at the British Medical Association patient information awards 2009.

## Scottish Accessible Information Forum (SAIF)

SAIF works to promote and improve the provision of accessible information to disabled people across Scotland. During the last year we have conducted research into the provision of accessible information with public service providers, launched the Social Model of Disability and published our guide to making information accessible through different formats. We also continued to run our in-house training tailored to the individual needs of organisations on a range of accessible information issues.

### Community Food and Health (Scotland)

Community Food and Health (Scotland) provides a national, strategic focus alongside practical support to low income communities facing barriers (availability, affordability, culture and skills) to a healthy diet. In 2009/10 we continued to build on past work with the 'rarely listened to', with events and publications considering homelessness, learning disability and early years, alongside new work evolving around youth work, mental health, older people and black and minority ethnic communities. The theme of reaching those in greatest need and making a difference echoed through much of the year's work and was reinforced through commissioned research, our annual networking conference, which attracted 200 delegates, our quarterly newsletter *Fare Choice*, which celebrated its 50th edition, our popular annual small grant scheme which saw 58 local initiatives out of 220 applications share £140,000 and our redeveloped website that attracts 30,000 visits per quarter.

**For a more detailed look at the work of Consumer Focus Scotland see their Annual Review 2009/10 on <http://www.consumerfocus.org.uk/scotland>**

# Consumer Focus Wales



## Digital switchover

Aside from the recession, probably the single biggest consumer event of the year in Wales has been the switchover to digital television. Wales is now the UK's first 100 per cent digital nation.

Consumer Focus Wales partnered with Digital UK, Citizens Advice and Consumer Direct to run a national advertising campaign warning people – particularly the vulnerable – about potential scams around switchover. Our advertisements, in a wide range of local newspapers across Wales, had a combined reach of 500,000. We also ensured posters were available at Citizens Advice Bureaux across Wales and that Consumer Direct was primed to help people over the phone.

We conducted research with Trading Standards to drive up the quality of information available from aerial installers. Our advice was widely reported in the Welsh media – raising awareness of the potential for scams. Our research was shared with Trading Standards officers who expressed an interest in following up the work in their areas.

## Protecting consumers from *E.coli* O157

In September 2005, a major outbreak of *E.coli* O157 occurred in South Wales. Contaminated cooked meat was served to pupils in schools throughout four local authority areas. A total of 157 people, mostly children, became ill, and on 4 October 2005 a five year old boy, Mason Jones, died.

Following the outbreak, a public inquiry on food safety, led by Professor Hugh Pennington, made 24 recommendations aimed at public sector bodies and food businesses. With families of victims, Professor Pennington and the Consumer Food Safety Group, we have worked to make the progress on these recommendations more transparent.

By shining a light on progress to date, we have highlighted the pressing need for more money and stronger leadership to ensure there is no repeat of the catastrophic outbreak.

## Fuel poverty

Working with NEA Cymru we established a coalition to address fuel poverty in Wales. The coalition has over 40 members. We have also set up a cross-party group in the National Assembly for Wales to keep the issue on the political agenda.

Welsh Assembly Government Minister for Environment, Sustainability and Housing, Jane Davidson, is using the coalition's Fuel Poverty Charter as a benchmark for her civil servants as they produce a new Fuel Poverty Strategy for Wales. Many of the charter's key points are likely to be taken up by the strategy. Some have already been delivered.

## Our other work

As a result of our work on attitudes to GM food, Consumer Focus Wales is representing consumers in the Food Standards Agency's work to discuss GM issues with the public.

Our report *Logged in or locked out* has shown the scale of those in Wales at risk of being left behind in the digital revolution.

Our work on post office closures has been highly acclaimed by the public and members of all political parties for bringing an evidence-based approach to an often emotionally charged issue.

As part of an Assembly Government steering group we help scrutinise the implementation of its Financial Inclusion Strategy.

On behalf of consumers in Wales, we have also responded to Assembly Government consultations on plastic bags, Welsh language legislation, health reforms, energy efficiency and fuel poverty.

**For a more detailed look at the work of Consumer Focus Wales see their Annual Plan 2010/11 on <http://www.consumerfocus.org.uk/wales>**

# Consumer Focus Post (Northern Ireland)



## Cross-border mail

In March 2010 Consumer Focus Post released the groundbreaking *Cross-border post* report to widespread media coverage and support from influential stakeholders and politicians throughout Northern Ireland.

No information was previously available publicly that measured the performance of mail between Northern Ireland and the Republic of Ireland; this survey highlights the unambitious mail service between these two neighbouring jurisdictions.

Unlike other postal performance measurements, this survey not only looked at the performance of mail between these two neighbouring countries, but also at the attitudes and perceptions of regular users of this service; uncovering how they feel the service could be improved.

Although campaigning is ongoing, Consumer Focus Post has already met Mark Durkan MP, who brought the issue of cross-border mail in Northern Ireland to the attention of The Rt Hon Pat McFadden MP (then Minister for Business, Innovation and Skills).

We have also met the Joint Secretariat of the North/South Ministerial Council who have expressed an interest in introducing our report and its recommendations onto the Ministerial Council's agenda. The North/South Ministerial Council comprises Ministers from the Northern Ireland Executive and the Irish Government, working together to take forward co-operation between both parts of the island to mutual benefit.

### **Postal complaints**

Consumer Focus Post held briefing road shows between December 2009 and February 2010 offering free advice and support for consumer advice staff dealing with postal issues. The sessions provided advice agency staff in Belfast with a full understanding of the 2008 changes to the postal complaints and redress procedures.

### **Northern Ireland's local authorities and their local Post Office network**

With the forthcoming amalgamation of Northern Ireland's 26 local councils into 11 super councils, Consumer Focus Post is raising the importance of local council involvement and support of the Post Office network. While this is an ongoing campaign for 2010/11, in January 2010 Consumer Focus Post presented to the Northern Ireland Local Government Association Executive Committee meeting for all 26 local council leaders and chief executives.

### **Post Office banking consultation**

Working closely with colleagues in London, Consumer Focus Post contributed to the Consumer Focus response on the Post Office banking consultation. Following the Government announcement in March 2010 to introduce a Post Office bank throughout the UK, our input into the consultation ensured BIS officials were fully aware of the specific needs of the Northern Ireland consumer. In particular, while we welcomed the closer linkages proposed between the Post Office network and the credit union movement in Great Britain, we requested that the credit union movement in Northern Ireland should not be overlooked. BIS officials are now exploring this area in more detail.

### **Building relationships**

Throughout 2009/10, we have worked to establish and build on relationships with influential stakeholders and politicians. A number of seminars and meetings were held to discuss our work. Meetings have been held with politicians and stakeholders including Robin Newton MLA (Junior Minister, Office of the First and Deputy First Minister), Mark Durkan MP, Postcomm, Royal Mail, Ofcom, National Federation of SubPostmasters, Rural Community Network and the Office of Fair Trading, to promote our role in representing and protecting postal consumers in Northern Ireland.



# Consumer Focus Report and Accounts

**For the year ended 31 March 2010**



# Accounting Officer's report and management commentary

## Statutory background and principal activities

Consumer Focus is the operating name adopted by the new National Consumer Council, a statutory organisation created by the Consumers, Estate Agents and Redress (CEAR) Act 2007.

### The Act:

- established Consumer Focus to provide a strong, coherent consumer advocacy, able to address consumer issues across different sectors, undertake cross-sectoral research, and provide a voice for consumers in dialogue with companies, regulators, Government and Europe
- extended redress schemes to all licensed energy suppliers and postal services providers to resolve complaints where suppliers and service providers have not been able to do so, and provide compensation for consumers where it is appropriate
- enabled Consumer Direct to become the single point of contact for all consumers to obtain information and impartial advice as well as signpost consumers and provide them with help when making a complaint

Through its policy work, Consumer Focus aims to understand the diverse aspirations, experiences and fears of consumers across the UK. We learn from others in the consumer field, track data on complaints and customer experience and conduct new consumer research. In addition to our policy advocacy role, Consumer Focus handles complaints on behalf of vulnerable energy and post consumers referred by Consumer Direct, including those at risk of disconnection.

Our structure reflects the devolved nature of the UK, embracing Consumer Focus Scotland, Consumer Focus Wales and Consumer Focus Post (in Northern Ireland). Staff are based at offices in Glasgow, Cardiff, Belfast and London.

Consumer Focus activities in Northern Ireland extend only to the users of postal services.

### Governance

The Consumer Focus Board, also known as the Main Board, is the governing body of Consumer Focus. It is responsible for the development of all GB, UK, English and EU related policy. The boards in Scotland, Wales and Northern Ireland are responsible for devolved policy and for contributing to the Main Board.

The chairs of the country boards – Vivienne Sugar in Consumer Focus Wales, Douglas Sinclair, Consumer Focus Scotland and Rick Hill, Consumer Focus (Northern Ireland) are also members of the Main Board and all Boards share their minutes and agendas.

The Main Board met 10 times during the year. The Boards met jointly on 30 June 2009 and joint meetings will continue to take place at least once a year.

The Main Board has oversight of the senior management team, through the chief executive officer. Standing orders delegate to the chief executive all matters which are not specifically reserved to the Board. The senior management team meets every two to four weeks.

All Board members were appointed by the Secretary of State following open competition. Declarations of Interest are updated regularly and are available on the Consumer Focus website.

## Board members



### Lord Whitty

Was appointed Chair of Consumer Focus in July 2007. He was previously Chair of the National Consumer Council from March 2006.

Lord Whitty has held the position of Minister for Transport in the Department for Environment, Transport and the Regions and Minister for food, farming and sustainable energy in Defra, including the delivery of improvements to those in fuel poverty. He is currently a member of the Board of the Environment Agency, President of the Combined Heat and Power Association (CHPA) and Chair of a CHP company.

Prior to going into the House of Lords in 1996, Lord Whitty worked in the aircraft industry and the civil service, with his main career in the trade union movement (working for the TUC and GMB) and the Labour Party. He served as General Secretary of the party from 1985 to 1994. During that period he was heavily involved in policy development on social and environmental issues, including access for low-income groups to public and private services.

He takes a strong personal interest in issues of sustainability, access to services for low-income groups (particularly for housing, education and transport, and financial services), and corporate accountability for social and environmental impacts on consumers and the wider community.



### Enid Rowlands

Enid Rowlands is an independent Member of the North Wales Police Authority. She is a Director of TARO Consultancy Ltd, and a National Trustee for Wales of the RNID.

She is a former Chair of the National Council of Education and Training for Wales, and a former Member of the Ministerial Committee on Work-Life Balance. From 1999 to 2007 she was a Board Member of the S4C Broadcasting Authority.



### Sharon Darcy

Sharon Darcy was a Member of the Council of energywatch. Other former roles include membership of Ofgem's Consumer Challenge Group for Distribution Price Control

5, Chair of the TrustMark Consumer Forum and member of the London and Southern Committee for the Consumer Council for Water. Sharon is a Board member of housing association The Hyde Group and of Sutton and Merton Primary Care Trust. She is also Chair of Sutton Borough Citizens Advice Bureaux.



### Anna Walker

Anna was chief executive of the Healthcare Commission, the regulation body for the NHS and independent sector healthcare until March 2009 and is Chair of the

Office of Rail Regulation from July 2009. She was previously Director General, Land Use and Rural Affairs at DEFRA from 2001 to 2003, and Director General, Energy Group at DTI from 1998 to 2001. She was Deputy Director General at OFTEL from 1993 to 1997.



### Stephen Locke

Stephen Locke is a consultant specialising in consumer policy and regulation. Former roles include Director of Advertising and Sponsorship at the Independent

Television Commission and Director of Research and Policy at Which? He was a Board Member of the National Consumer Council; a Board member of Phonepay Plus (formerly ICSTIS); an Independent Board Member of the Payments Council; and an Independent Board Member and trustee of the Internet Watch Foundation. He is also a Member of the Professional Standards Board of the Chartered Insurance Institute.

**Vivienne Sugar**

Vivienne Sugar was appointed as the Chair of Consumer Focus Wales in January 2008. She is a Fellow of the Chartered Institute of Housing having previously been

Director of Housing at both Cardiff and Newport. In 2005 she was appointed as Wales Advisor to the Joseph Rowntree Foundation and also became a Vice President of Swansea University. Vivienne was Chief Executive of the City and County of Swansea between 1995 and 2003 and Chair of the Welsh Consumer Council between 2003 and 2008. Vivienne is also a Consultant to Government and Local Government.

**Douglas Sinclair**

Douglas Sinclair is Chair of Consumer Focus Scotland and a Member of the Accounts Commission for Scotland. He was Chief Executive of Fife Council from

1999 to 2006 and overall has had 16 years experience as a chief executive in three councils, and four years as chief executive of the Convention of Scottish Local Authorities. He was also Chair of the Scottish Consumer Council.

**Rick Hill**

Rick Hill was appointed as Chair of Consumer Focus Post and member of the Consumer Focus Board in October 2008. In January 2009 he was appointed as

Chairman of the Consumer Council (Northern Ireland). In December 2008 he was appointed Chair of the Northern Ireland Screen Commission, having been interim Chair since Jan 2008. He is a former Minister of Garnerville Presbyterian Church, Belfast. He was previously a member of the BBC Audience Council for Northern Ireland and BBC Broadcasting Council for Northern Ireland.

**Dame Suzi Leather**

Dame Suzi Leather is Chair of the Charity Commission, and a past Chair of the School Food Trust, the Human Fertilisation and Embryology Authority, and of the Exeter and

District Community NHS Trust. She is also a past Deputy Chair of the Food Standards Agency.

**Roger Darlington**

Roger Darlington is Member for England on the Communications Consumer Panel, and was Chair of the Greater London Region on the Postwatch Council. He is a

consultant to Connect, the trade union for professional staff in the telecommunications industry, and a Support Trainer with Lamont Associates, a training consultancy specialising in team working and transformation at work. From 1978 to 2002 Roger was a national trade union official at the headquarters of what is now the Communication Workers Union.

**Sukhvinder Kaur-Stubbs**

Sukhvinder Kaur is the Chair of Volunteering England. Previously, she was chief executive of the Barrow Cadbury Trust and before that Chief Executive and Company

Secretary of the Runnymede Trust. She served on the Government's Better Regulation Commission and held Board positions with energywatch and Severn Trent Water. Sukhvinder currently manages a portfolio of projects with organisations including the Administrative Justice Council, Office for Public Management, Social Care Institute of Excellence and the European Commission.



### **Ed Gallagher**

Ed Gallagher was Chair of energywatch, the consumer body for gas and electricity consumers. He is also Chair of the citizenship charity, Envision. He is a past Chair

of Enviro-Fresh Ltd, and of Middlesex University. He is a former Civil Service Commissioner, and a former Council Member of English Nature. From 1995 to 2001 he was a Board member and chief executive of the Environment Agency, prior to which he held a number of senior positions in the private sector.



### **Christine Farnish**

Christine Farnish is Director of Public Policy at Barclays Bank plc. She was previously Chief Executive of the National Association of Pension funds, and a former

Director of the Consumer Division at the Financial Services Authority. She was Director of Consumer Affairs at OFTEL from 1994 to 1997, and served as Deputy Director General there from 1997 to 1998.

## **Consumer Focus Scotland**

**Douglas Sinclair** – chair

Liz Breckenridge	Alan Hutton
Coinneach Maclean	Angela McCormack
Nicola Munro	John Sawkins
Alan Sinclair	

## **Consumer Focus Wales**

**Vivienne Sugar** – chair

Bob Chapman	Hywel Davies
Kevin Fitzpatrick	Malcolm Smith
Marcus Longley	Eifion Pritchard
John Williams	

## **Consumer Focus Post (Northern Ireland)**

**Rick Hill** – chair

Fiona Boyle	Maureen Brennan
Maureen Kearney	Derrick Nixon
Bill Osborne	

## **Senior management team**

The senior management team members during the year were:

- Ed Mayo, Chief Executive Officer (resigned 9 October 2009)
- Mike O'Connor, Chief Executive Officer (appointed 22 January 2010)
- Phillip Cullum, Deputy Chief Executive Officer (Acting Chief Executive Officer between 1 September 2009 and 21 January 2010)
- Martin Evans, Director Consumer Focus Scotland (resigned 13 November 2009)
- Marieke Dwarshuis, Director Consumer Focus Scotland (appointed 1 February 2010)
- Trisha McAuley Acting Director Consumer Focus Scotland (between 2 November 2009 and 31 January 2010)
- Maria Battle, Director Consumer Focus Wales
- Graham Clark, Director of Finance and Operations (appointed 1 May 2009)
- Adam Scorer, Interim Director of Reputation & Impact (appointed 16 September 2009)
- Sarah Brooks, Interim Policy Director, (between 29 September 2009 and 30 April 2010)

## Audit and Risk Committee

In accordance with best practice and HM Treasury requirements Consumer Focus appointed an Audit and Risk Committee. Positions on the Committee are held by non-executive members. The committee is chaired by Christine Farnish. Sukhvinder Kaur Stubbs, Dame Suzi Leather and Sharon Darcy are also members. The meetings were also attended by the chief executive and other officers of Consumer Focus, the head of internal audit and observers from Department for Business, Innovation and Skills (BIS) and the National Audit Office (NAO).

The Committee met six times in total (2 June 2009, 9 July 2009, 14 October 2009, 23 November 2009, 12 January 2010 and 22 March 2010). It will continue to meet at least four times a year.

## HR Committee

Details of the HR Committee, its members and remit are provided in the Remuneration Report on page 41.

## Internal Audit

Tribal Business Assurance provides an internal audit service to Consumer Focus.

The primary role of Internal Audit is to provide the Accounting Officer and the Audit and Risk Committee with an objective evaluation of, and opinions on, the effectiveness of the Consumer Focus arrangements for risk management, control and governance.

The Audit and Risk Committee reviewed the three year strategy and approved an audit plan from 1 April 2010.

## Funding

Consumer Focus is financed by grant-in-aid from BIS. The CEAR Act provides for the Department to recover an appropriate proportion of the organisation's expenses from the holders of gas, electricity and postal licenses under the provisions of the Utilities Act 2000 and Postal Services Act 2000.

Core funding of £13.884 million has been agreed for 2010/11, with an additional £0.2 million for capital expenditure. It is estimated that expenditure of £5.75 million will be incurred in the exercise of functions in relation to relevant energy consumers and £3 million in the exercise of functions in relation to consumers of relevant postal services.

The CEAR Act grants Consumer Focus the powers to 'provide for any person advice or assistance, including research or other services, as respects any matter in which the Council has skill, experience or expertise', and to 'make such charges as it thinks fit' in respect of any such work.

Consumer Focus has two main areas of externally funded work. The National Social Marketing Centre works primarily with the Department of Health (DH) to build capacity and skills in social marketing related to health. It is currently funded by DH to 31 March 2011. Consumer Focus Scotland receives funding from the Scottish Government to lead a number of mainly health related projects in the areas of healthy eating and access to information. These projects have been running for a number of years and are at various stages of completion and renewal.

## Operating Review

Consumer Focus is the voice of consumers, working to secure a fair deal on their behalf. We are able to work across the economy but have a specific remit for consumers of postal services and in the gas and electricity markets. Our advocacy tools include:

- Redress and enforcement powers, including formal complaints to goods and service providers, regulatory bodies, Government departments, industry and local government associations; judicial action; and super-complaints
- Empowering consumers through the provision of information either directly to consumers, through partner organisations and through the media
- Advocating on behalf of consumers, and especially consumers who are disadvantaged, with industry, regulators, agencies, UK and devolved governments and the European Commission

Consumer Focus is not a direct complaints and advice service. Consumer Direct – which acts as the first port of call for practical information and advice right across all goods and services fulfils this role. Consumer Focus does, however, provide assistance to vulnerable consumers in the energy and postal markets through an Extra Help Unit, based in Glasgow, which is dedicated to helping customers from across the UK who cannot do so themselves, or who find themselves in vulnerable circumstances (eg electricity or gas disconnections).

Consumer Focus consulted widely on its draft Annual Plan for 2010/11 which was published on 31 March 2010. The Annual Plan builds on the first 18 months of activity and outlines our focus on gaining a fair deal for consumers across key market and services including energy, post and post offices, financial services and for consumers of public services. It also outlines our work on critical areas of the development of consumer policy, law and redress.

The first full year of our new organisation has seen the recruitment of staff to all posts and the delivery of our first annual work plan. We have achieved a number of high profile successes for consumers, these are reviewed in the report part of this document. Internally we have concentrated on improving our business support services, governance arrangements and performance monitoring arrangements.

Our future over the next three years will be heavily influenced by the new Government's strategy to tackle the country's budget deficit and specifically the significant cuts to public expenditure announced in the budget and the preparations for further cuts in the near future. These cuts will affect our funding and therefore the level and breadth of work we can undertake. The wider impact on public services, the private sector reaction to reduced regulation and the impact of measures on consumers will also influence our work.

Constraints on public funding will also affect those parts of Consumer Focus which deliver services for other public sector organisations, specifically NSMC for the Department of Health and Consumer Focus Scotland for Scottish Government.

Our main target with BIS is a financial one, delivering our annual work programme within budget and within the cap of 170 employees. This year we delivered our programme within the £15m core funding budget and to the individual targets for energy, post and the rest of the economy. Staff employed on this aspect of our work were below the cap of 170, established posts varied up to 168 with actual staffing varying depending on recruitment activity through the year. We also managed the ongoing liabilities arising from the closure of the legacy bodies, delivering savings of £450,000 against the £2.2 million budget.

For performance monitoring we operate a balanced scorecard and this has been strengthened during the year to move from a few reasonably simple targets to a more comprehensive set of key performance indicators reflective of the totality of our organisation.

## Financial Review

The following paragraphs summarise the funding and financial performance during the year of Consumer Focus.

During the year Consumer Focus implemented International Financial Reporting Standards for the first time. In accordance with IFRS 1, First time adoption of International Financial Reporting Standards, adjustments were made to the prior year's results and a reconciliation between the IFRS and UK GAAP results is provided at note 2 to the financial statements.

Consumer Focus received grant-in-aid funding of some £16.8 million for 2009/10. In addition to Consumer Focus normal operating activity, funding was provided to cover the ongoing costs associated with closing down the predecessor bodies.

The CEAR Act provides for the Department to recover an appropriate proportion of the organisation's expenses from the holders of gas, electricity and postal licenses under the provisions of the Utilities Act 2000 and Postal Services Act 2000. See note 4d for breakdown.

In addition, Consumer Focus received funding of £5,505k in relation to projects undertaken by the National Social Marketing Centre in conjunction with the Department of Health and £1,848k in respect of projects funded by the Scottish Government.

In accordance with the Treasury's Financial Reporting Manual (FReM), grant-in-aid is not shown as income on the Net Expenditure Account, rather it is reflected in the I&E reserve on the statement of financial position (see the Statement of Changes in Taxpayers' Equity).

The Net Expenditure Account shows net operating costs of £15,376k to be funded from grant-in-aid. This is a reduction from last year of £10,319k which reflects the savings made from the merger of energywatch, Postwatch and the National Consumer Council into Consumer Focus.

Staff costs were reduced by £4.6 million reflecting a reduction in the numbers of permanent staff from 322 to 189, together with a reduction in expenditure on temporary and casual staff. Other expenditure was reduced by £7.5 million, reflecting the reduced scale of operations following the merger.

During the year, provisions of £2,796k were released to cover onerous lease costs for those properties inherited from the predecessor bodies which are excess to operational requirements. Certain of these properties have been disposed of in May 2010. Provisions of £3.4 million continue to be held in respect of both property and employee related costs arising from the merger.

During the year, £240k was spent on the purchase of non-current assets.

## Going concern

The Statement of Financial Position shows a negative balance because of timing differences between consumption and payment. Consumer Focus draws down grant-in-aid on a quarterly basis to meet its cash requirements. The negative balance primarily reflects the future liabilities detailed in the provisions Note 15, grant for these amounts will be drawn down when these costs are paid. The increase in reserves reflects the release of provisions described above

Management's discussions with Consumer Focus's sponsoring department, BIS, has confirmed that there is no reason to believe that its future sponsorship will not be forthcoming within the capital and resource budgets set by Spending Review Settlements.

## Risks and uncertainties

The Statement on Internal Control (SIC) on pages 48 to 51 contains a full discussion of the risk and control framework for Consumer Focus.

Consumers face significant added risk in the context of an economic downturn, which in turn makes our work all the more urgent, but also raises the risk that with limited resources we will not be able to take on every major instance of markets or providers that are failing consumers if consumer detriment is on the rise.

The work and funding of Consumer Focus means that we have very little risk in terms of price risk, credit risk, liquidity or cash flow risk.

As with most public bodies, future funding is a key area of risk. BIS has currently required Consumer Focus to cut 11 per cent from its 2010/11 budgets. HM Treasury continues to develop its debt reduction strategy and it is likely that pressure on funding will continue in the future. Consumer Focus will examine the impact of future funding scenarios.

## Research & consumer intelligence

Consumer Focus is an evidenced-based organisation, which depends on high quality, cost-effective acquisition and use of 'consumer intelligence' reflecting consumers' real needs to properly inform policy and advocacy. We are reliant on a wide ranging, timely and detailed evidence base. Data is provided by industry, Consumer Direct, relationships with stakeholders, Government and by commissioned research, and includes:

- A knowledge base on consumer detriment
- Data from Consumer Direct and other sources
- Industry relationships
- Consumer-oriented non-government organisations
- Trading standards services
- User generated content from consumers

- Academic research
- Horizon scanning of policy initiatives likely to impact consumers (including international trends)

Where necessary, Consumer Focus supplements these sources with new primary research that allows us to build a picture of the full diversity of consumer experience and apply that knowledge to the development of policy, advocacy and empowerment.

## Sustainability policy

Sustainability is central to Consumer Focus policy work and features as one of our four strategic campaign goals: to harness the appetite of consumers to adopt more sustainable lifestyles. We aim to 'practice what we preach' by managing our own sustainability footprint. Over the course of the year we have developed a Sustainable Development Action Plan that sets out our contribution to the aims and objectives of the UK Sustainable Development Strategy. It shows how Consumer Focus embeds sustainability principles into the day to day operation of the organisation and to the development of policy, advocacy and consumer empowerment.

## Payment of creditors

Consumer Focus follows the principles of the Better Payment Practice Code in its treatment of suppliers. The key principles were to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers were made aware of the terms of payment and to abide by the terms of payment.

As part of the ongoing continuous improvement approach to our processes we now have more accurate payment data. Therefore the following table restates 2008/09 position as well as reporting 2009/10. There has been improvement in the performance, but the overall position is behind target.

	2009/10	2008/09
30 days	81%	64%
10 working days	45%	33%

Please note:

- The above percentages do not include payments made by Government Procurement Card
- The 10 day figure is the BIS standard which is 10 working days from receipt of a valid invoice
- The figures above have not been adjusted for disputed invoices

## Employment issues

### Equal opportunity and diversity

Consumer Focus is committed to supporting the principle of equal opportunities as outlined in the new Equalities Act 2010 and opposes all forms of unlawful discrimination. The aim is to recruit and develop the best person for the job and to create a working environment free from unlawful discrimination, victimisation and harassment and in which employees are treated with dignity and respect.

### Sickness and absence data

During the period 1 April 2009 to 31 March 2010 the average absence was 3.8 per cent.

### Personal data related incidents

There were no significant incidents.

### Charitable donations

We made a donation of £500 in lieu of fees for a speaker at our Focus on Finance seminar.

## Events after reporting period

See note 24.

## Pensions

Consumer Focus staff are eligible to be members of the Principal Civil Service Pension Scheme.

See note 1.18 and the remuneration report.

## Accounts Direction

These accounts have been prepared in a form directed by the Secretary of State for BIS with the approval of HM Treasury in accordance with the CEAR Act 2007. These accounts and report are to be laid before each of the Houses of Parliament in accordance with Treasury guidance.

## External Auditors

The Comptroller and Auditor General (C&AG) was appointed under statute to audit the financial statements of Consumer Focus and to report to Parliament. The fee for providing external audit services for the full year Financial Statements to 31 March 2010 is £46,000. There was an additional charge of £6,800 for audit work on trigger points 2 and 4 of the IFRS conversion and £6,200 for additional charges relating to 2008/09 accounts. The audit services provided by the C&AG's staff in the National Audit Office related only to statutory audit work.

- As far as I am aware there is no relevant audit information of which the entity's auditors are unaware, and
- I have taken all the steps that I should have taken to make myself aware of any relevant audit information and to establish that the entity's auditors were aware of this information

**Mike O'Connor**

Accounting Officer

15 July 2010

# Remuneration report

**This report covers Consumer Focus for the period 1 April 2009 to 31 March 2010.**

## Appointments

Directors are appointed on merit on the basis of fair and open competition.

## Remuneration policy and HR Committee membership

The members of the HR Committee were appointed by the Board in February 2008. The Committee's role is to support the Board in its responsibilities for issues of remuneration and recruitment by reviewing the comprehensiveness of policies and procedures in meeting the Board and Accounting Officer's governance needs and reviewing the reliability and integrity of relevant management systems for both the transition process and the steady state organisation.

During the period to 31 March 2010, the members were Enid Rowlands (Chair), Stephen Locke, Anna Walker, Douglas Sinclair, Vivienne Sugar and Rick Hill. The committee met six times in the period April 2009 to March 2010. The chief executive (Ed Mayo then Mike O'Connor) was invited to attend committee meetings except those related to discussions involving his personal remuneration.

## Service contracts\*

	Contract Start Date	Notice period months	Performance bonus %
Chief Executive Mike O'Connor	22 January 2010	3 months	Nil
Deputy Chief Executive Philip Cullum	1 October 2008	3 months	Nil
Senior Director Scotland Marieke Dwarshuis	2 February 2010	3 months	Nil
Senior Director Wales Maria Battle	23 March 2009	3 months **	Nil
Finance & Operations Director Graham Clark	1 May 2009	3 months	Nil

\* All directors hold appointments which are open ended.

\*\* Maria Battle's notice period was amended to three months via an amendment to contract letter (dated 7 December 2009).

Unless otherwise stated early termination, other than for misconduct, would result in compensation as set out in the Civil Service Compensation Scheme.

All of the officers in the table were in post at 31 March 2010.

All members of the senior management team, with the exception of the chief executive, have the same Terms & Conditions as all other Consumer Focus staff. Therefore, no special instructions exist with regards to their remuneration. The chief executive's remuneration is subject to a straight annual increase.

# Remuneration report

## Remuneration

The following information is subject to audit.

	2009/10		2008/09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
<b>Chief Executive</b> <b>Mike O'Connor</b> (start date 22 January 2010)	20-25 (full year equivalent 110-115)	Nil	N/A	N/A
<b>Chief Executive</b> <b>Ed Mayo</b> (end date 9 October 2009)	60-65 (full year equivalent 100-105)	Nil	100-105	Nil
<b>Deputy Chief Executive</b> <b>Philip Cullum</b> (Acting Chief Executive 9 October 2009 to 21 January 2010)	80-85	Nil	80-85	Nil
<b>Senior Director Scotland</b> <b>Martyn Evans</b> (end date 30 September 2009)	40-45 (full year equivalent 70-75)	Nil	70-75	Nil
<b>Senior Director Scotland</b> <b>Marieke Dwarshuis</b> (start date 2 February 2010)	10-15 (full year equivalent 70-75)	Nil	N/A	N/A
<b>Senior Director Wales</b> <b>Maria Battle</b>	70-75	Nil	0-5	Nil
<b>Finance &amp; Operations Director</b> <b>Graham Clark</b> (Start date 1 May 2009)	65-70 (full year equivalent 75-80)	Nil	N/A	N/A

## Pension benefits

Officer	Real increase in pension (£)	Real increase in lump sum (£)	Pension at ED (£)	Lump sum at ED (£)	CETV at SD (nearest £k)	CETV at ED (nearest £k)	Employee contributions and transfers in (£)	Real increase in CETV as funded by employer (nearest £k)
Ed Mayo	877	0	10,594	0	120	141	1,840	10
Mike O'Connor	668	0	24,151	0	403	407	1,453	10
Philip Cullum	2,231	0	8,452	0	70 <sup>1</sup>	101	3,094	23
Marieke Dwarshuis	2,972	0	10,048	0	88	123	420	36
Martyn Evans	1,510	0	13,827	0	222 <sup>1</sup>	267	1,536	27
Maria Battle*	0	0	0	0	0	0	0	0
Graham Clark	1,806	0	1,806	0	0	23	2,520	20

\* Maria Battle is not currently contributing to the pension scheme, therefore there are no figures to be disclosed.

<sup>1</sup> The AMC factor used to produce the CETV's has changed since last years figures were produced. The figure is based on the revised AMC factor.

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

## Benefits in kind

The monetary value of benefits in kind covers any benefits treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were received or receivable by Consumer Focus.

## Short term staff benefits

Short term employee benefits comprise holiday entitlement accrued but not taken at the year end in line with IAS 19. As at 31 March 2010 this was £10-15k for senior management.

## Pension

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium and Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (Partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for Classic and 3.5 per cent for Premium and Classic Plus and Nuvos. 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' 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 in respects of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for 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 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

# Remuneration report

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 and 65 for members of Nuvos.

Further details about the Civil Service Pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

See also note 23.

## The Cash Equivalent Transfer Values

A Cash Equivalent Transfer Values (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 individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real increase in CETV

This reflects the increase in CETV effectively 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.

## Remuneration of Consumer Focus Board Members

<b>Main Board</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Lord Larry Whitty – Chair	45-50	45-50
Douglas Sinclair	25-30	30-35
Vivienne Sugar	25-30	35-40
Rick Hill	20-25	10-15*
Roger Darlington	10-15	25-30
Sharon Darcy	10-15	15-20
Christine Farnish	10-15	10-15
Ed Gallagher	10-15	40-45
Dame Suzi Leather	10-15	10-15
Sukhvinder Kaur-Stubbs	10-15	10-15
Stephen Locke	10-15	10-15
Enid Rowlands	10-15	5-10*
Anna Walker	10-15	10-15
Millie Banerjee	No longer a member	40-45

\* Took up their post part way through the year

<b>Consumer Focus Board Scotland</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Douglas Sinclair – Chair	See Main Board Disclosure	See Main Board Disclosure
Alan Sinclair	5-10	0-5
John Sawkins	5-10	0-5
Nicola Munro	5-10	0-5
Angela McCormack	5-10	0-5
Coinneach Maclean	5-10	0-5
Alan Hutton	5-10	5-10
Liz Breckenridge	5-10	0-5

# Remuneration report

<b>Consumer Focus Board Wales</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Vivienne Sugar – Chair	See Main Board Disclosure	See Main Board Disclosure
Bob Chapman	5-10	0-5
John Williams	5-10	0-5
Hywel Davies	5-10	0-5
Kevin Fitzpatrick	5-10	0-5
Malcolm Smith	5-10	0-5
Marcus Longley	5-10	0-5
Eifon Pritchard	5-10	20-25

<b>Consumer Focus Board Northern Ireland</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Rick Hill – Chair	See Main Board Disclosure	See Main Board Disclosure
Bill Osbourne	0-5	0-5
Derrick Nixon	0-5	0-5
Fiona Boyle	0-5	0-5
Maureen Brennan	0-5	0-5
Maureen Kearney	0-5	0-5
Maureen Edmondson	**	20-25

\*\* Maureen Edmondson was replaced as Chair of the Consumer Focus Northern Ireland Board and she left September 2008.

**Mike O'Connor**  
Accounting Officer  
15 July 2010

# Statement of Accounting Officer's responsibilities

Under the CEAR Act 2007, the Secretary of State with the approval of HM Treasury has directed Consumer Focus to prepare for each financial period a statement of accounts 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 the state of affairs of Consumer Focus and of its income and expenditure, recognised gains and losses and cash flows for the financial period.

In preparing the accounts, Consumer Focus and the Accounting Officer are 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 departure in the financial statements
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume Consumer Focus will continue in operation

The Accounting Officer for BIS has designated the chief executive as Accounting Officer of Consumer Focus. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Consumer Focus's assets are set out in Managing Public Money published by HM Treasury.

# Statement on Internal Control

## Introduction

This Statement describes the systems established and operated by Consumer Focus. I became Accounting Officer at the end of January 2010 and therefore this statement places reliance on representations made by the previous Accounting Officers on the systems in place between 1 April 2009 and 22 January 2010. The Accounting Officers before me were Ed Mayo until 31 August 2009 and Philip Cullum from 1 September 2009 until my appointment.

## Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of Consumer Focus's policies, aims and objectives while safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me under Government Accounting.

In addition I am accountable to the Principal Accounting Officer of BIS to enable him to discharge his overall responsibility for ensuring that Consumer Focus has adequate financial systems and procedures in place. The relationship between Consumer Focus and its sponsoring department, BIS, is set out in a formal Management Statement.

During the year there was a change of Accounting Officer with an interim Accounting Officer being appointed for period between the departure of the substantive Accounting Officer and their successor taking up the post. Effective handovers were carried out at each transfer of responsibility and assurance certificates were provided by the outgoing and the interim Accounting Officers.

## The purpose of the 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 the risks to the achievement of Consumer Focus policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

At the start of the year we successfully transferred Finance, HR and IT from transition teams in London to permanent teams in Cardiff. During the year we also implemented changes to our IT arrangements which improved performance, combined two separate systems into one and significantly enhanced security and control arrangements. We also restructured our GB programme teams. With the changes being undertaken and the number of new managers, controls were more centralised than we envisage in future years.

We are still a relatively new organisation, our management, corporate support functions and system of internal control have continued to be developed throughout the year ended 31 March 2010 and up to the date of approval of the Report and Accounts, and accords with HM Treasury guidance. The improvements have been significant and evidenced by the internal audit reports, the NAO completion report and the recent Board members appraisal.

## Capacity to handle risk

During 2009/10 Consumer Focus transformed its risk management arrangements to recognise the move from a set up project to management and operation of a new organisation, this process is ongoing. The responsibilities for risk management are:

- the Board has responsibility for overseeing risk management within Consumer Focus
- the Audit and Risk Committee has responsibility for reviewing the systems of internal control and the risk management process
- the chief executive, as Accounting Officer, has responsibility for ensuring that effective systems of control are maintained and operated
- the executive supports, advises and implements policies approved by the Board and is committed to adopting good risk management practice.

Consumer Focus has a statement setting out its strategic approach to risk management that has been agreed with its Board and directors. The Directors assess and prioritise the key corporate risks with individual directors taking on the role of risk champions. The Audit and Risk Committee and Board receive reports on how key corporate risks are being managed.

Risk Management is incorporated into Consumer Focus project management framework and all employees have access to guidance on the application of risk assessment. Our pride in performance project management system ensures risk is identified at an early stage of each project, monitored as it progresses and has post-project appraisal and lessons learned processes in place. This is designed to improve risk awareness and knowledge sharing across the organisation.

We are a relatively low risk organisation, holding relatively low levels of personal or confidential information. This can mean that awareness of the issues is low. We are seeking to raise the profile of these issues.

Internal audit conduct regular assessments of our risk management process and our capacity to handle risk.

During the year arrangements were put in place to deal with the swine flu pandemic and to prepare for cuts to future funding levels.

There are a number of challenges ahead for Consumer Focus flowing from reductions in public expenditure. In common with other bodies funded by BIS we are currently reducing our 2010/11 budget by 11.6 per cent. Although it will be some time before we know the level of our budget for future years we are prudently scoping options for further reduction in the light of the Governments plans for public expenditure.

Central to our plans for the future will be the outcome of the 'Consumer landscape' being undertaken by BIS. We have made the case that further consolidation of consumer organisations could both provide a better service to empower consumers but would also lead to savings.

Operational changes will also see office moves in two of our three main locations, as leases come to an end.

These are all potentially significant changes for which we have started to plan.

# Statement on Internal Control

## The risk and control framework

The key elements of the risk and control framework include the following:

- the implementation of a corporate plan
- the standard Financial Memorandum of Understanding and Management Statement with BIS
- a senior management team, which meets every four weeks, with weekly teleconference, to consider the plans and strategic direction of the organisation, including high level risks
- the risk management process within Consumer Focus, within which priority is given to mitigating the highest risks
- a rolling programme of audit and assurance work carried out by our internal audit provider
- reports to the Audit and Risk Committee on systems of internal control
- an Audit Committee – reviews progress on implementing Internal Audit and External Audit recommendations
- internal audit – annual work programme is risk-based. Progress and amendments are reported to the Audit Committee
- active review of the high level risk register by the Audit and Risk Committee
- oversight of HR issues, policies and procedures by the HR Committee
- the Board considers the top risks faced by each part of the organisation
- a range of policies and procedures, including Codes of Conduct for employees and Members has been approved that are designed to mitigate against fraud and impropriety

Consumer Focus recognises the importance of managing its information effectively. All areas of Consumer Focus involve the use of information, knowledge and data – from the consultation process and running of investigations, to project work and the management of resources. We have appointed a Senior Information Risk Owner (SIRO) to oversee our data risk management processes. We have arrangements in place to ensure that personal data is processed and handled in line with the principles of the Data Protection Act 1998. During 2009/10 there were no personal data related incidents at Consumer Focus that were reportable to the Information Commissioner's Office. Consumer Focus has implemented the relevant sections of the Security Policy Framework.

No significant internal control failures occurred in year.

## Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Consumer Focus 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 implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit and Risk Committee, comprising between three and four non-executive directors, met six times during the year ended 31 March 2010. As Accounting Officer, I and the previous accounting officers regularly attend meetings of the Committee. The Chairman of the Audit and Risk Committee has provided an annual report to the Board concerning internal control and in addition regular reports are provided by managers on action being taken to manage risks in their areas of responsibility including progress reports on key projects.

Consumer Focus's internal auditors operate in accordance with Government Internal Audit Standards. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Consumer Focus's system of internal control together with recommendations for improvement.

I am able to report that there were no significant weaknesses in Consumer Focus's system of internal control in 2009/10 that affected the achievement of key policies aims and objectives of Consumer Focus.

**Mike O'Connor**  
Accounting Officer  
15 July 2010

# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the National Consumer Council (operating name: Consumer Focus) for the year ended 31 March 2010 under the Consumers, Estate Agents and Redress Act 2007. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Report that is described in that report as having been audited.

## **Respective responsibilities of Consumer Focus, 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 the financial statements in accordance with applicable law and 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 Consumer Focus's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Consumer Focus; and the overall presentation of the financial statements.

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

## **Opinion on regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 Consumer Focus's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Consumers, Estate Agents and Redress Act 2007 and the Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State directions issued under the Consumers, Estate Agents and Redress Act 2007; and
- the information given in the Accounting Officer's Report and the Management Commentary 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

## Amyas C E Morse

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP  
16 July 2010

# Net expenditure account

Year ended 31 March 2010

	Note	2009/10 £'000	2008/09 £'000 Restated
Expenditure			
Staff cost	3	11,676	16,259
Other expenditure	4	11,854	19,394
Total operating expenditure		23,530	35,653
Income			
Rental income	5	(495)	(272)
Other income	6	(7,659)	(9,686)
Total income		(8,154)	(9,958)
Net expenditure		15,376	25,695
Onerous lease costs arising on closure	4b	(2,796)	4,627
Re-organisation costs	4c	0	11,576
		(2,796)	16,203
Net expenditure after material transactions		12,580	41,898
Interest receivable	7	(18)	(526)
Notional (credit)/cost of capital	8	(183)	(146)
Finance charges payable on leases		22	27
Interest received and surrendered to BIS		223	0
		44	(645)
Net expenditure before tax		12,624	41,253
Taxation	9	5	106
Net expenditure after tax		12,629	41,359
Add/(deduct) notional (credit)/cost of capital		183	146
Retained deficit		12,812	41,505

# Statement of financial position

As at 31 March 2010

	Note	As at 31 March 2010 £'000	As at 31 March 2009 £'000 Restated	As at 1 April 2008 £'000 Restated
Non-current assets:				
Intangible assets	10	142	160	88
Property, plant and equipment	11	807	916	390
<b>Total non-current assets</b>		<b>949</b>	<b>1,076</b>	<b>478</b>
Current assets				
Trade and other receivables	12	1,124	8,036	6,099
Cash and cash equivalents	13	5,592	3,059	5,727
<b>Total current assets</b>		<b>6,716</b>	<b>11,095</b>	<b>11,826</b>
<b>Total assets</b>		<b>7,665</b>	<b>12,171</b>	<b>12,304</b>
Current liabilities				
Trade and other payables	14	(2,116)	(3,998)	(3,105)
Current tax liabilities	14	(67)	(106)	(36)
Other liabilities	14	(5,318)	(6,983)	(8,285)
<b>Total current liabilities</b>		<b>(7,501)</b>	<b>(11,087)</b>	<b>(11,426)</b>
<b>Non-current assets plus net current assets</b>		<b>164</b>	<b>1,084</b>	<b>878</b>
Non-current liabilities				
Other payables	14	0	(284)	(347)
Provisions	15	(3,405)	(8,033)	(1,646)
<b>Total non-current liabilities</b>		<b>(3,405)</b>	<b>(8,317)</b>	<b>(1,993)</b>
<b>ASSETS LESS TOTAL LIABILITIES</b>		<b>(3,241)</b>	<b>(7,233)</b>	<b>(1,115)</b>
Tax payers' equity				
I&E reserve		(3,241)	(7,234)	(1,165)
Revaluation reserve		0	1	50
		<b>(3,241)</b>	<b>(7,233)</b>	<b>(1,115)</b>

Approved

**Mike O'Connor**, Accounting Officer

15 July 2010

The Accounting Policies and Notes on pages 58 to 78 form part of these Financial Statements.

# Statement of cash flows

31 March 2010

	Note	2009/10 £'000	2008/09 £'000 Restated
<b>Cash flows from operating activities</b>			
Net deficit after cost of capital and interest	19a	(12,258)	(40,781)
Adjustments for cost of capital charge	8	(183)	(146)
(Increase)/decrease in trade and other receivables	12	1,862	(1,937)
(Increase)/decrease in receivables not passing through the Net expenditure account		0	5,050
Increase/(decrease) in trade payables	14	(3,774)	(398)
Movement in provisions	15	(4,628)	6,387
Taxation		(44)	(36)
<b>Net cash outflow from operating activities</b>		<b>(19,025)</b>	<b>(31,861)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(214)	(913)
Purchase of intangible assets		(26)	(160)
Proceeds of disposal of property, plant and equipment		0	3
<b>Net cash outflow from investing activities</b>		<b>(240)</b>	<b>(1,070)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid received to fund current year activities	19b	21,854	30,337
Capital element of payments in respect of finance leases		(56)	(74)
<b>Net financing</b>		<b>21,798</b>	<b>30,263</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>2,533</b>	<b>(2,668)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13</b>	<b>3,059</b>	<b>5,727</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>5,592</b>	<b>3,059</b>

# Statement of changes in taxpayers' equity

31 March 2010

	Note	Revaluation reserve £'000	Income & expenditure reserve £'000	Total reserve £'000
Opening taxpayers' equity at 1 April 2008	2	(50)	1,165	1,115
<b>Changes in taxpayers' equity 2008-09</b>				
Release of revaluation reserve to the I & E		49	(49)	0
Retained deficit	2		41,505	41,505
		(1)	42,621	42,620
Grant-in-aid - revenue			(34,314)	(34,314)
capital			(1,073)	(1,073)
<b>Taxpayers' equity at 31 March 2009</b>		<b>(1)</b>	<b>7,234</b>	<b>7,233</b>
<b>Opening taxpayers' equity as at 1 April 2009</b>				
Release of revaluation reserve to the I & E		1	(1)	0
Retained deficit			12,812	12,812
Grant-in-aid - revenue			(16,750)	(16,750)
capital			(54)	(54)
<b>Taxpayers' equity at 31 March 2010</b>		<b>0</b>	<b>3,241</b>	<b>3,241</b>

# Notes to the Financial Statements

## **1.1 Statement of accounting policies**

These financial statements have been prepared in accordance with the 2009/10 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 Consumer Focus for the purpose of giving a true and fair view has been selected. The particular policies adopted by Consumer Focus are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

## **1.2 Accounting convention**

These financial statements have been prepared under the historical cost convention.

## **1.3 First time adoption of International Financial Reporting Standards**

As these financial statements represent Consumer Focus's first time adoption of IFRS, an explanation to the effect of transition is given in note 2 to these financial statements. Note 2 includes a reconciliation of Consumer Focus's reserves as previously reported under UK GAAP as at the date of transition and as at the end of the previous reporting period, and a reconciliation of the net expenditure for the previous accounting period under IFRS to net expenditure reported under GAAP.

In accordance with IFRS 1, Consumer Focus has prepared an opening IFRS Statement of Financial Position, as at 1 April 2008. It has used the same accounting policies in the opening statement of financial position as in these financial statements. Consumer Focus has, however, elected to take advantage of the following exemption which is permitted in IFRS1:

Consumer Focus has elected to use the previous GAAP valuations for Property, Plant and Equipment and intangible assets as the deemed cost at the date of transition to IFRS.

## **1.4 Intangible assets**

Intangible assets do not have physical substance but are identifiable and are controlled through custody or legal rights, for example licences, quotas, patents, copyrights, franchises and trademarks. The only intangible assets that are capitalised in Consumer Focus's accounts are purchased software licences and applications software (not integrated into hardware) with a life of more than one year. Intangibles are accounted for in accordance with IAS 38 Intangible Assets.

## 1.5 Property, plant and equipment

These are assets of a physical nature that are above the capitalisation threshold, and are in use in delivering Consumer Focus's aims and objectives and that have an economic useful life of more than one year. Operating software is capitalised with the hardware that supports it if it is deemed an integral part of the hardware. Property, plant and equipment are accounted for in accordance with IAS 16.

## 1.6 Measurement

Consumer Focus has elected to adopt a depreciated historical cost basis as a proxy for current valuations for assets that have short useful economic lives and low values. This applies to all categories of assets held by Consumer Focus.

## 1.7 Recognition and capitalisation threshold

The threshold for capitalisation of non-current assets (either as a single or as a composite asset) is £5,000, or above, inclusive of irrecoverable VAT. Furniture and fittings (eg workstations, chairs, filing cabinets) and low value IT assets or equipment (eg scanners, printers) are capitalised on a pooled basis where batches of assets bought together exceed the capitalisation threshold. Disposals from asset pools are assumed to be on a first in/first out basis.

## 1.8 Depreciation and amortisation

Depreciation 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. Amortisation is the same concept when applied to intangible assets.

The useful economic life of an asset is the period over which it is expected to be used in the business and over which it is depreciated or amortised. The Consumer Focus accounting policy is to depreciate assets over the following useful economic lives:

<b>Asset Type</b>	<b>Useful Economic Life</b>
Computers	2-10 years
Software	3-5 years
Furniture and fixtures	5 years
Other Office based equipment	3-5 years
Leased assets	over the lease term

# Notes to the Financial Statements

## 1.9 Net expenditure

All income and expenditure is recognised on an accruals basis.

Income received for the delivery of various projects is recognised at the same rate as work is carried out on the project. Where the income has been received but the work has not been completed at the year end deferred income is recognised.

## 1.10 Operating and finance leases

Where substantially all risks and rewards of ownership are borne by Consumer Focus, the asset is recorded as a non-current asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease, and included under current and non-current liabilities. The interest element of the finance lease payment is charged to the Net expenditure account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Net expenditure account on a straight line basis over the term of the lease.

## 1.11 Financial assets and liabilities

Financial assets and liabilities are measured at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive future cash flows has expired or been transferred and Consumer Focus has transferred substantially all the risks and rewards of ownership.

### 1.11.1 Financial assets

Consumer Focus classifies and holds financial assets in the following categories:

- Trade receivables
- Other receivables
- Prepayments

The categorisation depends on the purpose for which the financial asset is held or acquired. Management determines the categorisation of financial assets at initial recognition and re-evaluates this designation at each reporting date.

### 1.11.2 Financial liabilities

Consumer Focus classifies and holds financial liabilities in the following categories:

- Trade and other payables
- Other liabilities

The categorisation depends on the purpose for which the financial liability is held or acquired. Management determines the categorisation of financial liabilities at initial recognition and re-evaluates this designation at each reporting date.

## **1.12 Provisions**

In accordance with IAS 37 Consumer Focus provides for legal and constructive liabilities which are of uncertain timing or amount at the Statement of Financial Position date on the basis of best estimate of the expenditure required to settle the obligation. Where the effect of the time value for money is significant the estimated cash flows are discounted using the real rate set by HM Treasury (currently 1.8 per cent for Early Retirement Provisions and 2.2 per cent for any other provision).

## **1.13 Contingent liabilities**

In accordance with IAS 37, Consumer Focus discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of Consumer Focus's control, unless their likelihood is considered remote.

## **1.14 Tax payers' equity**

This is made up of the following:

- a) income and expenditure reserve
- b) revaluation reserve reflecting the unrealised balance of the cumulative indexation and revaluation adjustments to assets other than donated assets and those funded by grants
- c) grant-in-aid is treated as financing and taken directly to the I&E reserve

## **1.15 Significant estimation techniques**

In accounting for employee benefits, determining the value of the outstanding leave accrual was based on calculating the outstanding leave for a representative sample of staff and extrapolating the figure across the total staff at the year end using average salary figures and working days of 260 days a year, the comparative figures from previous years were calculated on that basis. The current year (2009/10) figures (and future years) are now calculated from actual outstanding annual leave data collected by management.

In accounting for post termination benefits, judgements are made as to the longevity of recipients and on their entitlements to post retirement benefits. The values of scheme liabilities are determined by actuarial estimates regarding the longevity of current and deferred pensioners and long term rates of inflation.

Where income is received for long term projects it is recognised to the Net Expenditure Account when the work is carried out. At least once annually a review is undertaken of the work left to be carried out on the long term projects and an assessment is made as to whether any long term projects require deferred income to be held on the statement of financial position or released to the net expenditure account.

## **1.16 VAT**

Consumer Focus is not VAT registered as a consequence Value Added Tax is included with the expenditure to which it relates including expenditure on assets.

# Notes to the Financial Statements

## 1.17 Cost of capital charge

The charge, reflecting the cost of capital utilised by Consumer Focus is included in the operating costs.

The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent per annum) on the average carrying amount of all assets less liabilities. It can be a credit if there are net liabilities.

## 1.18 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). These defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Consumer Focus recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, Consumer Focus recognises the contributions payable for the year.

No recognition of the employees PCSPS scheme is or will be made in Consumer Focus accounts as this is a multi-employer scheme and liability for payment of future benefits does not lie with Consumer Focus.

## 1.19 Machinery of Government changes

As part of the Machinery of Government changes enacted by the CEAR Act 2007, Consumer Focus assumed the consumer advocacy and research responsibilities of energywatch, Postwatch and the National Consumer Council (including the Scottish and Welsh Consumer Councils), as well as redress in respect of vulnerable consumers on 1 October 2008.

Consumer Focus did not take on the more general consumer advice and redress activities of energywatch and Postwatch, which were assumed by Consumer Direct.

Machinery of Government changes, which involve the transfer of functions or responsibilities between two or more public bodies, are accounted for using merger accounting in accordance with FReM. Merger accounting was applied in preparation of the 2008/09 accounts. Further details for the previous year accounts can be found on Consumer Focus's website at [www.consumerfocus.org.uk/uk/en/cms/publications](http://www.consumerfocus.org.uk/uk/en/cms/publications).

## 1.20 Interest received and surrendered to BIS

In accordance with Managing Public Money Annex 5.7B, interest earned from commercial bank accounts is paid over to BIS for onward transmission to the Consolidated Fund.

## 2 First time adoption of IFRS

Consumer Focus's financial statements for the year ended 31 March 2010 are the first financial statements that comply with IFRS as adapted and interpreted in the FReM. The following tables show the changes in taxpayers' equity, resulting from the transition from UK GAAP to IFRS at 1 April 2008.

### Reconciliation of IFRS accounts to UK GAAP

As at 1 April 2008	UK GAAP £'000	Short term staff benefits £'000	Discount Factor adjustment £'000	IFRS £'000
Trade and other payables	(2,864)	(241)		(3,105)
Provisions	(1,656)		10	(1,646)
I&E reserves	934	241	(10)	1,165

As at 31 March 2009	UK GAAP £'000	Short term staff benefits £'000	Discount Factor adjustment £'000	IFRS £'000
Trade and other payables	(3,833)	(165)		(3,998)
Provisions	(8,121)		88	(8,033)
I&E reserves	7,157	165	(88)	7,234
Net expenditure for the year	41,659	(76)	(78)	41,505

### Short-term employee benefits

IAS19 requires Consumer Focus to recognise the expected cost of short-term employee benefits for services rendered to Consumer Focus during the financial year. Under UK GAAP, Consumer Focus already recognises most short term employee benefits. However, Consumer Focus employees are permitted to accumulate a certain amount of annual leave. Therefore, under IFRS, Consumer Focus recognised a liability of £241k at 1 April 2008. This liability was reduced by £76k in 2008/09.

### Discount Factor adjustment

Historically under UK GAAP, early retirement provisions were accounted for under FRS 12 and discounted at the Treasury prescribed provisions rate of 2.2 per cent. However per the 2009/10 FReM, the correct approach for the treatment of these provisions under IAS 19 is to discount payments at the pensions rate and not at the provisions rate. The pensions rate is announced by the Treasury and the relevant rates for the comparatives for 2009/10 are:

- 1 April 2008: 2.8 per cent
- 31 March 2009: 3.2 per cent
- 31 March 2010: 1.8 per cent

This has resulted in an overall reduction of £10k for the balances at 1 April 2008 and an overall reduction of £88k for the balances as at 31 March 2009.

# Notes to the Financial Statements

## 3 Staff costs

	2009/10 £'000	2008/09 £'000 Restated
Wages and salaries	7,197	10,390
Social security costs	544	1,196
Pension contributions	1,275	1,667
Temporary staff and secondees	2,333	3,006
Redundancy and severance costs	327	0
	11,676	16,259
<b>Average number of staff</b>	<b>2009/10</b>	<b>2008/09</b>
Staff permanently employed	189	322
Temporary and casual staff	37	18
	226	340

### Pension schemes

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi employer defined benefit scheme but Consumer Focus is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Service superannuation ([www.civilservice-pension.gov.uk](http://www.civilservice-pension.gov.uk)).

Superannuation benefits are provided under the PCSPS. Consumer Focus employees are members of this scheme. The scheme is non contributory for employees, apart from widows' and widowers' benefits and additional contributions to the Classic Plus and Premium schemes. Employer contributions of £1,275k (2008/09: £1,667k) were payable to the PCSPS for the year to 31 March 2010, at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £17,079 (2008/09: £16,729) were paid to one or more stakeholder pension providers. Employer's contributions are age related and range between 3 and 12.5 per cent of pensionable pay. Employers also match contributions up to 3 per cent of pensionable pay. In addition employee contributions of £2,224 (2008/09: £1,968) – 0.8 per cent of pensionable pay were due 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.

#### 4 Other expenditure

	2009/10 £'000	2008/09 £'000
NSMC Project delivery costs	2,594	5,044
Travel and subsistence	486	930
Office costs (including postage, IT, web development, copying and telecommunications)	573	760
ICT	731	1,254
Research and consultation	2,549	1,757
Staff Learning and Development (including Board development)	208	622
Other staff related costs (including recruitment and advertising)	322	613
Promotions, campaigns and marketing	608	535
Consultancy and professional fees	536	1,714
Rent, rates and associated services	2,026	4,193
Depreciation	304	450
Impairment	54	0
Loss/(profit) on disposal of non-current assets	8	22
Auditors remuneration	59	145
Internal conference costs	281	335
External conference costs	122	602
Grants and donations	180	94
Equipment hire	0	107
Change in existing provisions	(97)	118
Unwinding of discount factor	175	3
Other costs	123	96
Dilapidations	12	0
	11,854	19,394

#### 4b Onerous lease cost arising on closure of bodies forming Consumer Focus

	2009/10 £'000	2008/09 £'000
Onerous lease costs on leasehold properties - Postwatch	(2,631)	3,392
Onerous lease costs on leasehold properties - energywatch	(165)	1,235
	(2,796)	4,627

Consumer Focus found it necessary to create a provision for onerous leases on the closure of the predecessor bodies, energywatch and Postwatch. These property leases transferred to Consumer Focus on 1 October 2008. Under Government Accounting convention, Consumer Focus has made provisions for the future costs of the leases that have not been reassigned and that are surplus to Consumer Focus's requirements, less any receipts for sub-letting. These future costs relate to the minimum term of the leases discounted at the Government real discount rate advised by HM Treasury (currently 2.2 per cent). The release of provisions in 2009/10 reflects that certain properties were disposed of earlier than originally expected.

# Notes to the Financial Statements

## 4c Re-organisation costs

	2009/10 £'000	2008/09 £'000 Restated
Redundancy, severance and early retirement costs on merger	0	11,576
	0	11,576

The cost shown in the note above is further broken down by predecessor bodies as follows:

Postwatch	0	4,554
energywatch	0	6,396
NCC	0	626
	0	11,576

## 4d Expenditure on the Main Work Streams

	£'000s Total	£'000s Energy	£'000s Post	£'000s BIS
Total operating expenditure as per I&E statement	23,530	5,665	4,290	6,222
Less Scottish Government funded projects	(1,848)	0	0	0
Less Department of Health funded National Social Marketing Centre	(5,505)	0	0	0
Less Rental for Legacy buildings	(495)	(21)	(474)	0
Less Other Income	(306)	0	0	(306)
Net Expenditure as per Net expenditure accounts	15,376	5,644	3,816	5,916

## 5 Rental income

	2009/10 £'000	2008/09 £'000
Rental income from sub-let of property	(495)	(272)
	(495)	(272)

## 6 Other income

	2009/10 £'000	2008/09 £'000
Other income	(7,659)	(9,686)
	<u>(7,659)</u>	<u>(9,686)</u>

Other income consists principally of income in relation to projects undertaken by the National Social Marketing Centre in conjunction with the Department of Health, and Consumer Focus Scotland projects funded by the Scottish Government. This may be analysed as follows:

	2009/10 £'000
Department of Health	(5,505)
Scottish Government	(1,848)
Other	(306)
	<u>(7,659)</u>

## 7 Interest receivable and payable

	2009/10 £'000	2008/09 £'000
Receivable from the bank for funds on short term deposit	(18)	(526)
	<u>(18)</u>	<u>(526)</u>

## 8 Capital (credit)/charge

	2009/10 £'000	2008/09 £'000 Restated
At 3.5% (2008/09: 3.5%) on the average of total assets less total liabilities for the year	(183)	(146)
	<u>(183)</u>	<u>(146)</u>

## 9 Corporation tax

	2009/10 £'000	2008/09 £'000
Current tax		
Charge for the year	5	106
	<u>5</u>	<u>106</u>

# Notes to the Financial Statements

## 10 Intangibles

	Software £'000	Licences £'000	Totals £'000
At 1 April 2008	969	70	1,039
Additions	55	105	160
Disposals	(694)	(48)	(742)
At 31 March 2009	330	127	457
At 1 April 2009	330	127	457
Additions	26	0	26
Disposals	(114)	0	(114)
At 31 March 2010	242	127	369
<b>Amortisation</b>			
At 1 April 2008	(885)	(66)	(951)
Provided during the year	(50)	(16)	(66)
Disposals	674	46	720
At 31 March 2009	(261)	(36)	(297)
At 1 April 2009	(261)	(36)	(297)
Provided during the year	(26)	(18)	(44)
Disposal	114	0	114
At 31 March 2010	(173)	(54)	(227)
<b>Net Book Value</b>			
At 31 March 2010	69	73	142
At 31 March 2009	69	91	160
At 1 April 2008	84	4	88

## 11 Property, plant and equipment

	Leasehold improvements £'000	Information technology £'000	Furniture and fixtures £'000	Other Office equipment £'000	Totals £'000
<b>Cost or valuation</b>					
At 1 April 2008	905	1,363	1,272	826	4,366
Additions	430	346	87	50	913
Disposals	0	(136)	0	0	(136)
At 31 March 2009	1,335	1,573	1,359	876	5,143
At 1 April 2009	1,335	1,573	1,359	876	5,143
Additions	0	104	37	73	214
Derecognition*	0	(80)	(431)	(30)	(541)
Disposals	(496)	(1,020)	(761)	(796)	(3,073)
At 31 March 2010	839	577	204	123	1,743
<b>Depreciation</b>					
At 1 April 2008	(696)	(1,243)	(1,212)	(825)	(3,976)
Provided during the year	(230)	(104)	(47)	(3)	(384)
Disposals	0	133	0	0	133
At 31 March 2009	(926)	(1,214)	(1,259)	(828)	(4,227)
At 1 April 2009	(926)	(1,214)	(1,259)	(828)	(4,227)
Provided during the year	(106)	(101)	(32)	(22)	(261)
Derecognition*	0	80	431	30	541
Disposals	496	1,020	754	795	3,065
Impairment**	(54)	0	0	0	(54)
At 31 March 2010	(590)	(215)	(106)	(25)	(936)
<b>Net Book value</b>					
At 31 March 2010	249	362	98	98	807
At 31 March 2009	409	359	100	48	916
At 1 April 2008	209	120	60	1	390
<b>Asset Financing</b>					
Owned	249	362	98	98	807
Finance leased	0	0	0	0	0
Net Book value as at 31 March 2010	249	362	98	98	807

\* Predecessor organisations had lower threshold for capitalising assets, (Consumer Focus threshold is set out in Note 1.7) in this year assets that are fully depreciated and below this current threshold have been derecognised.

\*\* In May 2010 Consumer Focus disposed of leasehold interests in properties relating to predecessor bodies. An impairment loss of £54,000 has been recognised in these accounts.

# Notes to the Financial Statements

## 12 Trade receivables and other current assets

	As at 31 March 10 £'000	As at 31 March 09 £'000	As at 1 April 08 £'000
Amounts falling due within one year:			
Trade receivables	196	1,998	5,403
Other receivables	19	5,073	117
Prepayments	907	965	550
	1,122	8,036	6,070
Receivables due after more than one year	2	0	29
Total receivables	1,124	8,036	6,099

## 12a Intra-Government balances

	As at 31 March 2010		As at 31 March 2009		As at 1 April 2008	
	Receivables: Amounts falling due		Receivables: Amounts falling due		Receivables: Amounts falling due	
	within one year £'000	after more than one year £'000	within one year £'000	after more than one year £'000	within one year £'000	after more than one year £'000
Balances with central Government bodies	77	0	6,760	0	1,651	0
Balances with local authorities	249	0	517	0	3,807	0
Balances with bodies external to Government	796	2	759	0	612	29
Total	1,122	2	8,036	0	6,070	29

## 13 Cash and cash equivalents

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 1 April 2008 £'000
As at 1 April	3,059	5,727	6,007
Cash inflow/(outflow)	2,533	(2,668)	(280)
As at 31 March	5,592	3,059	5,727

Cash is held to cover April and May expenditure and the ongoing projects for the National Social Marketing Centre and for the Scottish Government.

## 14 Trade payables and other current liabilities

	As at 31 March 10 £'000	As at 31 March 09 £'000 Restated	As at 1 April 08 £'000 Restated
Amounts falling due within 1 year:			
Trade payables	(8)	(114)	(111)
Accruals	(2,108)	(3,884)	(2,994)
<b>Trade and other payables</b>	<b>(2,116)</b>	<b>(3,998)</b>	<b>(3,105)</b>
Other taxation and social security and pension contributions	(198)	(465)	(624)
Deferred income	(4,885)	(5,363)	(7,577)
Lease payments due	(227)	(56)	(74)
Other payables	(8)	(1,099)	(10)
<b>Other liabilities</b>	<b>(5,318)</b>	<b>(6,983)</b>	<b>(8,285)</b>
<b>Corporation tax</b>	<b>(67)</b>	<b>(106)</b>	<b>(36)</b>
Amounts falling due after more than 1 Year			
Other payables	0	(57)	(64)
Finance leases	0	(227)	(283)
	0	(284)	(347)

Other payables relates to deferred income that arises from rent free periods at the beginning of the property leases. The benefit is spread over the term of the lease.

Income received for long term projects is recognised when the work is carried out (Ref: Note 1.15). Review of the work left to do in respect of ongoing projects indicated that some deferred income which should have been recognised previously had not been recognised. As a result the amount of £271k has now been recognised as income in the 2009/10 accounts. The projects are now in their final year and management have a clearer understanding of the rest of the work needed to be done so there will be no impact for future years.

# Notes to the Financial Statements

## 14a Intra-Government balances

	As at 31 March 2010		As at 31 March 2009		As at 1 April 2008	
	Payables:		Payables:		Payables:	
	Amounts falling due:		Amounts falling due:		Amounts falling due:	
	within one year	after more than one year	within one year	after more than one year	within one year	after more than one year
	£'000	£'000	£'000	£'000	£'000	£'000
			Restated		Restated	
Balances with central Government bodies	5,534	0	8,030	0	9,683	0
Balances with local authorities	6	0	335	0	8	0
Balances with NHS bodies	20	0	0	0	0	0
Balances with public corporations and trading funds	36	0	231	0	0	0
Balances with bodies external to government	1,905	0	2,491	284	1,735	347
<b>Total</b>	<b>7,501</b>	<b>0</b>	<b>11,087</b>	<b>284</b>	<b>11,426</b>	<b>347</b>

## 15 Provisions for liabilities and charges

	Onerous leases provision	Leasehold obligations provision	Early retirement provision		Early retirement provision on merger	Pension provision	Legal fees	Total
			GCC Restated	EW Restated				
			£'000	£'000				
As at 1 April 2008	(670)	(48)	(219)	(313)	0	(396)	0	(1,646)
New provision recognised	(4,627)	0	0	0	(1,987)	0	0	(6,614)
Amounts used in the period	98	0	182	45	0	20	0	345
Changes to existing provisions	(34)	14	(57)	(16)	0	(29)	0	(122)
Unwinding of the discount factor	(15)	(2)	(2)	(4)	0	27	0	4
<b>As at 31 March 2009</b>	<b>(5,248)</b>	<b>(36)</b>	<b>(96)</b>	<b>(288)</b>	<b>(1,987)</b>	<b>(378)</b>	<b>0</b>	<b>(8,033)</b>

	Onerous leases provision	Leasehold obligations provision	Early retirement provision		Early retirement provision on merger Restated	Pension Provision	Legal fees	Total
			GCC Restated	EW Restated				
As at 1 April 2009	(5,248)	(36)	(96)	(288)	(1,987)	(378)	0	(8,033)
New provision recognised	0	0	0	0	0	0	(50)	(50)
Amounts used in the period	1,552	34	79	87	375	27	0	2,154
Changes to existing provisions	2,796	2	(3)	(25)	(15)	(56)	0	2,699
Unwinding of the discount factor	(25)	0	(1)	(17)	(132)	0	0	(175)
As at 31 March 2010	(925)	0	(21)	(243)	(1,759)	(407)	(50)	(3,405)

### Onerous leases and leasehold obligations provisions

The provision for onerous leases is in respect of the ongoing payments for properties previously occupied by legacy organisations but which were surplus to requirements for Consumer Focus's needs when they were transferred to Consumer Focus on 1 October 2008. The provision includes properties with leases which terminate between 2008 and 2014. The actual costs involved are not certain at the Statement of financial position date, being subject to revision through rent reviews, etc. Future income streams have been recognised in calculating the provision for any properties that have been sublet.

The leasehold obligations provision relates to obligations under the terms of the lease agreement for a legacy body's premises that was transferred to Consumer Focus on 1 October 2008.

### Provisions for early retirement pensions: Gas Consumer Council (GCC)

The provisions for early retirement reflect Consumer Focus's ongoing obligation to make payments into the pension schemes of former employees of GCC, a legacy body of energywatch, for those individuals who were made redundant prior to the period covered by these financial statements. The amount reflected above is a reasonable estimate based on the most recently available information, although the actual amount to be paid will be affected by factors beyond Consumer Focus's control. The payments are funded through grant-in-aid from BIS. The obligation will terminate in 2011.

# Notes to the Financial Statements

## **Provisions for early retirement pensions: energywatch (EW)**

The provisions for early retirement reflect Consumer Focus's ongoing obligation to make payments into the pension schemes of former employees of EW who were made redundant prior to the period covered by these financial statements. The amount reflected above is a reasonable estimate based on the most recently available information, although the actual amount to be paid will be affected by factors beyond Consumer Focus's control. The payments are funded through grant-in-aid from BIS. The obligation will terminate in 2015.

## **Provision for early retirement on closure of merged bodies**

The provisions for early retirement reflect Consumer Focus's obligations to make payments into the pension scheme of former employees of the merged bodies who were made redundant. The amount reflected above is a reasonable estimate based on the most recent available information. The payments are funded through grant-in-aid from BIS. The obligations will terminate in 2018.

## **Pension provision**

The pension provision relates to Consumer Focus's ongoing payments in respect of the pension liabilities for the former Chairmen of the Electricity Consumer Committees (ECC). The pension scheme for these former chairmen was analogous with the PCSPS pension scheme. The provision was taken on from Ofgem in 2002/03. There are uncertainties surrounding the actual payments to be made, which are currently based on actuarial estimates. The pension liability was revalued by the Government Actuary's Department on 31 March 2010 and has been estimated to be £407k.

Liabilities are valued on an actuarial basis using the Projected Unit Method.

The main actuarial assumptions are as follows:

## **Assumptions**

	Year Ending 31 March 2010	Year Ending 31 March 2009
Discount rate	4.60% pa	6.04% pa
Rate of increase in salaries	4.29% pa	4.29% pa
Rate of increase in pensions in payment	2.75% pa	2.75% pa
Inflation assumption	2.75% pa	2.75% pa

### Life expectancy at retirement

Current Pensioners	As at 31 March 2009		As at 31 March 2010	
	Men (yrs)	Women (yrs)	Men (yrs)	Women (yrs)
Exact Age				
60	29	32	29	32
65	24	27	24	27

Future pensioners	As at 31 March 2009		As at 31 March 2010	
	Men (yrs)	Women (yrs)	Men (yrs)	Women (yrs)
Exact Age				
60	30	33	31	34
65	26	29	26	29

### Provision for legal costs

The provision relates to the legal costs of defending a claim which was outstanding at the Statement of financial position date.

## 16 Related party transactions

Consumer Focus is a non departmental public body sponsored by BIS. BIS is regarded as a related party, as are other entities sponsored by BIS. Grant-in-aid received in the year amounted to £16,804k (2008/09: £35,387k)

Consumer Focus also received income from the Scottish Government and the Department of Health (see note 4 for details).

In addition Consumer Focus has had dealings throughout the year with other Government Departments and other Central Government bodies, the amounts of which are not material except for payments made to Central Office of Information which amounted to £361,474.

None of the Board members or members of key management employees have undertaken any material transactions with Consumer Focus.

# Notes to the Financial Statements

## 17 Obligations under operating leases

The total minimum lease payment commitments under operating leases for the coming year are:

	As at 31 March 2010		As at 31 March 2009	
	Property £'000	Other £'000	Property £'000 Restated	Other £'000 Restated
Not later than one year	1,602	28	2,275	39
Later than one year and no later than five years	922	24	4,890	60
Later than five years	0	0	2,354	0
	<u>2,524</u>	<u>52</u>	<u>9,519</u>	<u>99</u>

## 18 Obligations under finance leases

	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Less than one year	260	78
Between one and five years	0	260
Due thereafter	0	0
	<u>260</u>	<u>338</u>
Less Interest Element	(33)	(55)
Capital Due	<u>227</u>	<u>283</u>

## 19 Cash flow notes

	2009/10 £'000	2008/09 £'000 Restated
<b>19a Cash flows from operating activities</b>		
Net expenditure before tax	(12,624)	(41,253)
<b>Adjustments for non cash charges</b>		
Loss on disposal of fixed assets	8	22
Impairment provision	54	0
Revaluation loss	0	0
Depreciation charge	304	450
	<u>(12,258)</u>	<u>(40,781)</u>

## 19b Cash flows from financing activities

Grant-in-aid received as per Statement in Changes of Taxpayers' Equity	16,804	35,387
Grant-in-aid receivable	5,050	(5,050)
Cash flow	(21,854)	(30,337)

## 20 Capital commitments

There were no commitments for the purchase of non-current assets at the year end.

## 21 Losses and special payments

No losses or special payments were made in the year, which exceed £250k.

## 22 Financial instruments

Consumer Focus had no borrowings and relied on grant-in-aid from BIS for its cash requirements and was, therefore, not exposed to liquidity risk. It also had no investments and was, therefore, not exposed to interest rate risk. A notional cost of capital charge/credit at HM Treasury rate of 3.5 per cent and applied to average net assets (including cash at commercial banks) is reflected in the accounts. However, the accounts also include a notional credit/charge equivalent to this interest charge/credit so there is no impact on the financial results of the year. All assets and liabilities are denominated in sterling and, therefore, there is no exposure to currency risk and are stated at fair value.

There were no material differences between the book value and fair value of assets and liabilities at 31 March 2010.

# Notes to the Financial Statements

## **23 Contingent liabilities**

The Chief Executive accepted a lower salary than he was paid in his previous role. The contract of the Chief Executive includes a clause which under certain circumstances would require us to make payments into a pension fund based on the difference between his salary and the earnings cap in the pension scheme, at current rates this equates to £3,800 per annum until he reaches retirement age. The maximum potential liability to pensionable age is £32,000. The intention of this arrangement is to put him in a similar pension position had he not joined Consumer Focus at the lower salary.

The calculation of this contingent liability involves a number of factors used to calculate pensions which are outside the control of Consumer Focus. We have modelled various scenarios and believe that it is unlikely any payment will be payable under this agreement.

## **24 Events after the reporting period**

The Accounting Officer authorised these financial statements for issue on the date of certification.

### **24.1 Adjusting event after the reporting period**

In May 2010 Consumer Focus disposed of leasehold interests in properties relating to predecessor bodies. As the net book value of the improvements in these leaseholds, which were previously capitalised, will not be recovered, an impairment loss of £54,000 has been recognised in these accounts. See note 11.

### **24.2 Non-adjusting event after the reporting period**

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Consumer Focus provides to employees.



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