

# Consumer Futures Annual Report and Accounts 2013/14

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On 1 April 2014 Consumer Futures was abolished.



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# Contents

About us	2
A message from our Chair	3
A message from our Chief Executive	4
Annual Review	6
Accounting Officer's report and management commentary	25
Governance statement	33
Remuneration report	43
Statement of Accounting Officer's responsibilities	50
Audit opinion	51
Financial statements	55
Statement of comprehensive net expenditure	55
Statement of financial position	56
Statement of cash flows	57
Statement of changes in taxpayers' equity	58
Notes to the financial statements	59

## About Us

The 2013/14 Annual Report and Accounts for Consumer Futures covers the period 1 April 2013 to 31 March 2014.

Consumer Futures, previously Consumer Focus, had since May 2013 been the new operating name of the National Consumer Council (NCC).

In April 2013, as part of the Government's changes to the consumer landscape, the work carried out by Consumer Futures on behalf of consumers in the general economy transferred to Citizens Advice and Citizens Advice Scotland, and we were asked to establish a new unit (rebranded as Consumer Futures) to represent consumers in essential markets subject to economic regulation.

Until 31 March 2014, in this new guise Consumer Futures continued to be a Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills. Within the legal framework of the NCC, it fulfilled the responsibilities of the statutory consumer body in energy and postal services in Great Britain, water services in Scotland (funded through the Scottish Government) and postal services in Northern Ireland.

Consumer Futures commissioned and used independent research and it had a wider role in applying insight and learning across other regulated markets. Sectors of the economy subject to economic regulation, such as energy, water, post and communications, and rail transport, demonstrate a number of common features. The rapid pace of change and the need to secure infrastructure investment on a massive scale pose both challenges and opportunities. There is a need for more effective representation of consumer interests across the whole regulated sector and the aspiration to add other bodies to the Consumer Futures remit remains.

On 1 April 2014, following the passage of the necessary legislation, the NCC was abolished and the core function of Consumer Futures transferred from the public sector to Citizens Advice and Citizens Advice Scotland; our Extra Help Unit (EHU) also transferred to Citizens Advice Scotland and responsibility for consumer representation in postal services in Northern Ireland moved to the Consumer Council for Northern Ireland (CCNI).

Consumer Futures has articulated and will, in its new home, continue to articulate the voice of consumers in key regulated markets where complexity often makes it difficult for them to be heard. Following the transfer, Consumer Futures' policy and technical expertise and high level representation with governments, regulators and companies will be closely allied with the evidence gathered by the Citizens Advice service from consumers at ground level.

## A message from our Chair

It is with sadness and pride that I pick up my pen to write this foreword to our last Annual Report. The statutory consumer body Consumer Futures was wound up on 31 March 2014 and its work and most remaining staff have now largely passed to Citizens Advice in England and Wales, Citizens Advice Scotland and the General Consumer Council for Northern Ireland.

Our life was short and it feels looking back, as if our organisation was stopped in its tracks just as it was getting into its stride. We learnt in October 2010 that Government's intent was to abolish us. It has been tough for everyone involved to continue to deliver good work on behalf of UK consumers, but we rose to the challenge.

Over the last two years we have concentrated much of our effort on regulated markets which consumers find hard to fathom but which are essential to daily life - and increasingly complicated and expensive.

We have focused our work around three strategic themes:

- the need for fair outcomes in determining who pays for the costs of renewing Britain's ageing infrastructure, particularly in the energy market;
- how the needs of vulnerable consumers can best be met, by regulators and by markets; and
- the opportunities and risks facing consumers as we move into a digital world.

These themes will have resonance after our demise, and we are delighted that successor bodies have agreed to continue to work on them. The escalating public interest in energy, rail, water, communications and financial services markets shows how valuable an expert organisation that can look across these markets and promote the consumer interest can be.

This report spells out the work we have done and the outcomes we achieved. You can read it for yourselves, but to me it demonstrates the commitment and professionalism of our staff as they continued to 'fire on all cylinders' up until the end. Our style has been to engage closely with regulators, government and industry players behind the scenes to deliver change for consumers, rather than firing off press releases and thinking about the consequences later. This approach has been successful and we have helped ensure that the review of energy retail markets, the debate on energy market structure, the reform of the post office network and the protections for consumers following Royal Mail privatisation landed in a good place.

The Board have been served by an outstanding team of staff. Mike O'Connor and Stephen Dunmore have provided great leadership and ensured we managed the transition to new arrangements without dropping any balls. Our HR, IT and finance functions have been exemplars of good practice and have enabled us to successfully manage a sequence of complex changes and produce an outstanding set of financial accounts despite very challenging circumstances. I have also been blessed with a strong and capable Board and Nation Committees.

I would like to thank everyone involved with the 'New National Consumer Council / Consumer Focus / Consumer Futures' project and wish them well for the future.

**Christine Farnish CBE**  
Chair

## A message from our Chief Executive

For the first nine months of 2013/14, Mike O'Connor continued as Chief Executive of Consumer Futures; he moved on at 31 December to head up Step Change Debt Charity and I replaced him as Chief Executive for the final three months.

Our 2013/14 work plan focused on three themes:

- To sharpen the understanding and responses of policy makers and markets to the causes of, and solutions for, consumer vulnerability
- To place consumer affordability and fairness at the heart of decision-making about large-scale infrastructure investments, for example in energy
- To ensure that all consumers are beneficiaries rather than victims of retail markets in a digital age.

This report records our achievements on behalf of consumers in those three areas.

What mattered most to us is that consumers in the economically regulated markets, and in particular consumers in vulnerable situations, should get the fairest deal possible. Consumer welfare is at the heart of economic growth in markets that function efficiently. The work that we have carried out in 2013/14 has laid a firm basis for Consumer Futures' work plan for the first year post-transfer, developed with the Citizens Advice service and published in April 2014. Many of the fruits of that work will be realised in 2014/15 under the auspices of the Citizens Advice service and the Consumer Council for Northern Ireland (CCNI).

2013/14 has seen the completion of the process of transferring the responsibilities and powers of Consumer Futures (the National Consumer Council) to the Citizens Advice service and CCNI – a key part of the Government's changes to the consumer landscape.

In April 2013, Consumer Focus (as it was then) ceased working on areas outside energy, post and, in Scotland, water, when the Department for Business, Innovation and Skills (BIS) funding for those areas was transferred to the Citizens Advice service. In May 2013, in preparation for the second phase of transfer, Consumer Focus was rebranded as Consumer Futures and in September 2013 my colleague Adam Scorer was appointed following open competition as the Director, Consumer Futures.

In March 2014, legislation passed through the UK Parliament, the Scottish Parliament and the Northern Ireland Assembly to abolish the National Consumer Council. On 1 April 2014, Consumer Futures became a distinct part of Citizens Advice and Citizens Advice Scotland and, in Northern Ireland, its work on postal services transferred to CCNI. Adam Scorer moved to Citizens Advice to head up Consumer Futures in its new home.

Inevitably, some of our resource in 2013/14 has been dedicated to building an organisation fit for its future in the Citizens Advice service and to ensuring a smooth exit and transfer at 1 April 2014.

We have been concerned that both those staff faced with redundancy and those transferring under TUPE-like conditions to the recipient bodies should experience as smooth a passage as possible.

A key objective, originally set out in BIS's policy for reforming the consumer landscape, has been to maintain Consumer Futures' expertise, skills and value through the transfer process. In the event, 35 staff have transferred to Citizens Advice, to continue our energy and post work in England, Wales and, where appropriate, GB-wide. Two staff have transferred to CCNI and, in Scotland, two policy staff working on water and 23 staff in the Extra Help Unit, which has a GB-wide remit, have moved over to Citizens Advice Scotland. It has been a disappointment that in Scotland our energy and post staff and some of our water staff did not transfer. We are confident that a solution will be found, even if it takes time.

Transition has continued to be managed through my senior management team, acting as our project board, in close partnership with CCNI and, through the Transition Project Group, with BIS and the Citizens Advice service. I am grateful to those many colleagues in the partner organisations who worked closely with us to achieve a successful transition.

In uncertain times and while managing a complex transition, we have continued to deliver on behalf of energy, post and, in Scotland water, consumers. For 2013/14, recognising the GB/UK nature of the large majority of markets subject to economic regulation, we developed, instead of separate GB/UK, Wales and Scotland work plans, a single GB/UK work plan, albeit with specific Welsh and Scottish projects. At the same time, our policy staff were restructured in single GB/UK teams, while continuing to report, through a matrix structure, to our Senior Directors in Wales and Scotland, who retained overall responsibility for stakeholder engagement in the devolved nations.

A more rigorous system of project management and monitoring in delivering the work plan was introduced; this had a significant impact in the timely completion of projects and enabled us to achieve a smoother spend profile over the year.

I am most grateful to all my colleagues in Consumer Futures, whether or not they have transferred to the Citizens Advice service and CCNI, for their dedication to the organisation and to the interests of consumers' right up to our last day. We are sad to go but confident that Consumer Futures will flourish and continue to deliver for consumers in its new home.

**Stephen Dunmore**  
Chief Executive

## Annual Review 2013/14

Our name, Consumer Futures, reflects the job that we did for consumers. We needed to stop problems at source if we could, before they manifested themselves.

We worked in complex markets on difficult issues and the results of our work were rarely instantaneous. Sometimes it takes years for effects to be visible, especially when they involve legislative change. Our patience though was often rewarded with tangible benefits for consumers, for example:

- The smart metering code of practice which came into force this year, will ensure customers have a positive experience pre, during and post installation of a smart meter. This is the product of more than three years' of our work.
- Post Office Ltd launched three current accounts, something we have advocated for years. The accounts are initially being launched in 29 branches across Essex, Suffolk, Norfolk and Cambridgeshire, in locations including Bury St Edmunds, Cambridge, Chelmsford, Colchester, Ipswich, Lowestoft, Newmarket and Norwich. The Post Office has a great reach, a well-known brand and the trust of millions of its customers. If it can deliver banking products that people actually want then this could be a major development for the banking market and for the future of our Post Office network.
- Our work on park homes led to legislation protecting the rights of park home owners in Wales, Scotland and England. The new law for England came into effect in May 2013 and a similar piece of legislation was passed by the National Assembly for Wales in November 2013. The new Housing (Scotland) Bill also published in November 2013 includes provisions on new licensing arrangements for Park Homes.
- In November 2013, Wales became the first part of the UK to make the display of Food Hygiene Ratings compulsory. The new law was passed following work undertaken by Consumer Focus Wales.

We have also continued to work for consumers in vulnerable situations who have immediate needs. Our Extra Help Unit has investigated over 6000 cases, saving/gaining them £1,186,000.

Inevitably a lot of time has been spent this year ensuring valuable skills, experience and evidence are prepared for transfer to Citizens Advice. However, we have also continued to work hard to achieve the targets set out in our Work Plan for 2013/14.

## **1. Understanding the costs and benefits of Network Transformation**

Up to half a trillion pounds of infrastructure investment may be recovered from consumers over the coming decades. We have worked with policy makers to identify the most cost-efficient investments, to take full account of the impact on consumers and to ensure that costs are recovered in the least regressive fashion.

### **Price controls**

The price consumers pay for energy has probably never been in more focus than this year when a combination of consumers' falling incomes, rising prices, energy company profits, green tariffs and the need for infrastructure investment have grabbed the headlines. But it is not just today's consumers who are affected by decisions being taken now. The process for making decisions on major infrastructure investments includes seeking out, understanding and reflecting the short and long-term consumer interest so that security of supply and climate change are also taken into account.

We have worked closely with electricity distribution companies and the regulator, Ofgem, to achieve the best outcome for current and future consumers from the electricity distribution price control process. We have ensured the consumer voice is heard on the electricity distribution price control (RIIO-ED1), which accounts for around 16 per cent of customers' bills. We are confident that our input into the consultation process on RIIO-ED1 business plans has helped ensure adequate scrutiny.

### **Legislation and strategy development**

An important part of our work in this topic was to represent the consumer interest across European, UK and national energy legislation and strategy development.

To do this we have presented at a number of key events including:

- Regulatory Policy Institute and Water UK infrastructure conferences
- the Westminster Energy, Environment & Transport Forum
- EU Energy Commissioner Oettinger's High Level Working Group.

### **Bringing clarity**

This section of the energy market is a particularly complex one and part of our role is to make it understandable to a wider audience. As well as working directly with industry and other consumer organisations, we also briefed journalists and developed background material.

## 2. Consumer vulnerability and inclusive services

How markets and policy makers respond to consumer vulnerability is a key measure of our success. We helped markets and policy makers to learn from each other, so that they can be more co-ordinated and ensure that essential markets serve the needs of all consumers.

### Poverty premium

The foundations of much of our work in this area are our *Addressing the Poverty Premium* (with Joseph Rowntree Foundation) and *The hardest hit* reports, the findings from which were highlighted during the 2013 Energy Bill (now 2014 Energy Act) debates. We are currently working with Government and its Fuel Poverty Advisory Group to develop affordable energy solutions for low income consumers with electric heating (*The hardest hit* research identified these as most adversely affected by the impact of the Government's energy policies on energy bills).

Both studies also supported our advocacy within the EU institutions. The September 2013 Economic and Social Committee (EESC) Opinion on energy poverty took on board some of the recommendations we presented during its public hearing on the issue. Our work on the drivers of vulnerability and the poverty premium research supported our participation in the EU Vulnerable Energy Consumers Working Group, chaired by the European Commission. Having submitted this group's report to the 2013 Annual London European Citizens Energy Forum in December, the Commission is continuing to review its approach to vulnerability.

### Getting the consumer voice heard on fuel poverty

When the Department of Energy and Climate Change (DECC) published its response to the consultation on changing fuel poverty measurement it had accepted our recommendation to assess households' requirement for fuel according to household size and referred extensively to our submission. This will mean fuel poverty is measured more accurately and help improve fuel poverty policy.

We played an active role in the Scottish Government's fuel poverty forum, Sustainable Housing Strategy Group and Energy Efficiency for Private Sector Housing working group. Low income consumers in Scotland will benefit from improved delivery and funding of energy efficiency programmes and the potential introduction of minimum energy efficiency standards in the private sector. Similar standards are about to be introduced in the social housing sector and will lead to improved homes and more affordable energy bills.

In Wales, we published *'Cutting Back: The impact of the cost of energy on Welsh households'*. It received strong media coverage, and was quoted from extensively during Assembly debate. We also provided secretariat, jointly with NEA Cymru, to the Assembly Cross Party Group on Fuel Poverty – bringing expert speakers from the energy sector to advise Assembly Members, prompting a number of debates in plenary, and questions from members.

## Energy efficiency

The UK Government is currently developing proposals, based on the minimum energy efficiency standards we advocated, as part of the new Fuel Poverty Strategy for England. Low income consumers could potentially see their bills reduce by an average of £400 a year if our proposed fuel poverty targets are adopted.

We continued to service the End Fuel Poverty Coalition (EFPC). Senior DECC civil servants regularly engage with the EFPC to help shape the Fuel Poverty Strategy. The EFPC played a leading role in advocating minimum energy efficiency standards during the 2013 Energy Bill (now Act).

We organised two stakeholder events with the Scottish Government and others on our *Jobs, growth and warmer Scottish homes* macro-economic research project. The final report of the project shows that not only would increased investment in energy efficiency reduce fuel poverty, improve consumers' health and help tackle climate change but it would also provide a major boost to the Scottish economy.

Thousands of tenement flats should not be forgotten in the drive to make homes more energy efficient. Our report *Communal improvements – energy efficiency in tenements in Scotland* showed that insulating tenements could provide real fuel bill savings for residents but that much more support is needed to get installations going. Our findings emphasised the importance of bespoke assessment of buildings and targeted action that is right for tenements and the people who live there. Our work in this area has been recognised as seminal and was particularly well received by the Scottish Government, the Scottish Fuel Poverty Forum, the 2020 Climate Change Group and the Scottish Sustainable Housing Strategy Group. A national seminar was co-hosted by the Scottish Government to help drive forward improvements in this area.

## Working in collaboration

We have continued to play a part in the Energy Bill Revolution campaign, including participating in a delegation to Number 10 to press for more resources to tackle fuel poverty. This was followed by a joint letter to the Chancellor with a view to influencing the Autumn Budget statement. This and associated advocacy resulted in the Government agreeing to protect the fuel poverty elements of the Energy Company Obligation. We also worked closely with the Energy Bill Revolution during its *Cold Homes Week*. Low income consumers will benefit from warm homes and affordable energy bills if the Government accepts the case for improved funding for energy efficiency.

We played an active role in the Government's Fuel Poverty Advisory Group (FPAG), including leading a working group on tariff reform, contributing two chapters to the annual report and carrying out press and publications work for the annual report. The report's recommendations are likely to make an important contribution to the Government's new Fuel Poverty Strategy, thus benefitting fuel poor consumers.

In Wales we continued to service the Fuel Poverty Coalition Cymru, took part in the Cross Party Fuel Poverty Group Cymru and met the Welsh Government's Energy Minister. Low income consumers in Wales will benefit from improved delivery and funding of energy efficiency programmes as a result.

## Consumers off the gas grid

We have represented consumers on the Ministerial off-gas grid round table, at the DECC off-gas grid working group and the FPAG off-grid sub-group. Heating oil consumers now enjoy improved consumer protection due to the Federation of Petroleum Suppliers' new Code of Practice. Consumers will also benefit from cheaper heating oil as a result of oil buying clubs, new payment methods to help with budgeting, reforms to energy efficiency and micro-generation policies to make sure off-grid consumers benefit and improved data sharing. Low income off-grid consumers may receive a higher rate of Warm Home Discount in the future thanks to our advocacy of this measure and improved data sharing – the Government will consult on this in spring 2014.

## Funded work

It has not always been possible to carry out all the work we want to ourselves. On occasions we found it more cost effective to fund other expert organisations to carry out work on our behalf. This year we funded the IPPR '*Help to heat*' research which proposes major reform to the delivery of energy efficiency programmes. It proposed local agencies should take lead responsibility for delivery, rather than fuel companies, using a street by street approach. The Government has since quadrupled funding for area approaches and Labour has adopted IPPR's proposals as policy. Both low income and better off households will benefit from more affordable energy bills if the proposals are implemented.

We also funded ACE's '*Ending cold homes – modelling the cost and impact of introducing ambitious new fuel poverty targets*'. This makes the case for setting new fuel poverty targets that will in the short term eradicate 'killer homes' (homes that are a danger to consumers' health due to very low efficiency standards) and in the long term make energy bills truly affordable through radical improvements to efficiency standards. The research formed the basis for our advocacy of new targets during the passage of the 2013 Energy Bill (now Act).

Other funded projects include:

- Sheffield University's '*Warm and Well families*'; report highlighting the impact of cold homes on children's health.
- The NEA/EAS '*UK Fuel Poverty Monitor*' comparing fuel poverty policy across the four nations and highlights lessons for good practice.
- Sponsorship of Eaga (the Charitable Trust) parliamentary event on 'lessons from 20 years of fuel poverty research for the Government's Fuel Poverty Strategy'. This highlighted the importance of good evidence for making sure policies meet consumers in greatest need.

## Extra Help Unit

The EHU provides a valuable service to thousands of consumers across Great Britain, using statutory powers to help people struggling with energy and postal complaints, and investigating the actions of suppliers. This year, it has investigated over 6000 cases and achieved £1,186,000 in financial redress for vulnerable consumers.

Debt and disconnection remains the top reason for complaints being referred to the EHU. This year we saw the impact of welfare reform on consumers, with an increase in 'self-disconnection' cases where people do not have enough money to top up their prepayment meters. Many customers relied on their energy supplier to tide them over when their benefits changed or had stopped due to sanctions. For the first time, the EHU often had to signpost consumers to food banks.

Our 'Ask the Adviser' and 'Knowledge Base' services which provide support to advice agencies, dealt with over 1200 calls and had 454,000 answers viewed to help advisors assist their clients. Substantial work was carried out to adapt the Knowledge Base, so the content was more suitable for advice providers and to make it more user friendly.

Over the year the EHU held meetings with suppliers and Ofgem. It also held supplier liaison meetings attended by a wide range of suppliers, the Citizens Advice consumer service and the Energy Ombudsman. The unit has continued to identify problems with suppliers' policies and negotiated improvements to these services or encouraged the adoption of industry best practice. This work is often carried out in collaboration with our energy team and Ofgem. We have worked with particular suppliers to improve their debt and disconnection policies, prepayment meter policies and to improve their standards of customer service. Across the industry, we have tackled concerns about suppliers considering ability to pay, backbilling where the customer has a prepayment meter and standing charge disputes following changes introduced by Ofgem's Retail Market Review.

Staff in the EHU received refresher Samaritans training and the unit is currently awaiting feedback on a benchmarking exercise against the BSI standard for inclusive service provision.

### **Wider vulnerability work**

Consumers do not only find themselves in vulnerable situations due to energy or energy bills. We have also worked on a variety of other vulnerability issues.

The Financial Conduct Authority (FCA) announced a commitment to develop a consumer vulnerability strategy – one of our milestones for the year – and agreed to assess its contact centre against the BSI inclusive service standard BS 18477.

We also instigated research into issues relating to the use of Welsh language services in Wales, in order to inform future improvements to Welsh language services. The evidence gathered this year will inform improvements to Welsh language services as the Welsh Government introduces new statutory duties in 2014/15 to provide services in Welsh.

## **3. Future challenges in postal markets**

Consumers are using a broader range of communications channels while e-commerce is making parcel delivery a more competitive market. The EU, Ofcom, Royal Mail and others are responding to these and other challenges. Consumer Futures has been working to ensure that value and service quality are not lost in the process.

## Post essentials

Despite being an essential part of the postal system, post boxes are an every day sight and often taken for granted by consumers. We wanted to ensure they are protected and worked with the postal regulator, Ofcom, on its new criteria for post box density across rural and urban areas. The criteria were announced in June 2013 and provided new protections for consumers around the distance their address should be from the nearest post box.

Ofcom also agreed that postal users should be made aware of potential changes to their local post box and encouraged Royal Mail to liaise with Consumer Futures to develop a suitable process for notifying postal users of proposed changes to the network. We have worked with Royal Mail to develop a consumer-driven consultative procedure for removal and/or relocation of post boxes. We have independently modelled and analysed post box density to ensure we have robust evidence to facilitate analysis of the impact of changes at a local level to the post box network.

We also investigated Royal Mail's Redirection Service and developed evidence-based recommendations on this universal service product. The redirections service is an essential service for both residential consumers and small and medium enterprises (SMEs), providing additional security and peace of mind as well as convenience in ensuring that users continue to receive their mail when they have moved address. It is strongly recommended to safeguard personal information and protect from identity theft and fraud. The evidence in our report, *Changing direction?*, complements Royal Mail's ongoing work and assists in identifying areas for future redirection service product development that meet the evolving needs of consumers for mail security and convenience by highlighting some key action points for Royal Mail.

## Accessibility

We have continued to focus on improving the clarity and readability of postal terms and conditions, especially for universal service products. As a result of our sustained advocacy on this issue Royal Mail agreed to rewrite the franking postal scheme in Plain English to make it easier for users to understand their rights and obligations. This follows our work with Royal Mail on its comprehensive revision of the domestic and overseas mail and parcels postal schemes.

We created, and co-chaired with the Scottish Government, the Parcels Delivery Working Group, working closely with consumer and business groups to develop and produce a Statement of Principles for Parcels Delivery in Scotland, with a particular focus on the needs of consumers in remote and rural areas. Supported by the retail industry, the Statement of Principles was published jointly by Consumer Futures and the Scottish Government and launched by Scottish Government Minister Fergus Ewing in time for Christmas 2013. The voluntary standards urge retailers to avoid charging disproportionate costs for delivery or discriminating against consumers on the basis of their location in their delivery coverage policies. They also recommend transparency or delivery information at the earliest possible stage in the online buying process. The principles are designed to spread best practice among retailers, so that people in rural areas, in particular, are not disadvantaged.

We continued to organise and support the Scottish Parliament's Cross-Party Group on Postal Issues. A range of issues affecting vulnerable consumers, including parcel delivery

issues and the post office modernisation programme, were discussed with MSPs and external organisations with an interest in the postal sector in Scotland.

Our report, *Signed, sealed... delivered?* found that some consumers living in remote and rural areas across England, Wales and Northern Ireland also reported particular delivery issues, including higher prices, companies refusing to deliver to them and delivery surcharges that outweighed the price of the item being purchased. The report was launched at the BIS Parcels Summit in November.

## **Co-operation**

We led the establishment of the first ever All-Party Group on Postal Issues in Northern Ireland. The inaugural meeting was held in June 2013. The meetings were well attended by Members of the Legislative Assembly (MLAs) and other key stakeholders, and raised awareness and discussions on a range of issues including Royal Mail privatisation and the Post Office Network Transformation Programme. The All-Party Group has agreed to pursue a number of actions in relation to the need for a diversification fund in Northern Ireland and further government services to be provided through the Post Office network.

## **Learning lessons**

Published in April 2013, our report *The postal consumer perspective: an overview* focuses on the findings from successive annual surveys commissioned by Consumer Focus Post (Northern Ireland). Since 2008 the surveys have provided an overview of consumers' experiences and perceptions of, and attitudes to, the Post Office network and the postal service provided by Royal Mail. The report has been used to develop future work plans, inform consultation responses in the postal industry, and as a useful legacy document for CCNI – the successor body for postal consumer representation in Northern Ireland from April 2014.

## **Using post for business**

Our survey conducted by the Federation of Small Businesses (FSB) showed more than 90 per cent of business consumers in Wales felt that delivery times were important to their business, while almost 90 per cent of those surveyed said access to post boxes and post offices was also of great importance. The overwhelming majority of Welsh members (93 per cent) use Royal Mail/Post Office to dispatch their parcels, with 84 per cent using stamps for postage. As a result of this, 93 per cent of SMEs said that the cost of postage was important to their business.

We researched SMEs' needs from postal services to inform our engagement and advocacy with regulator and other stakeholders. Results of this were published in *The Postal Services Business* in January 2014. Postal services appear to be largely meeting the needs of SMEs users but we identified key needs from postal services as simplicity, convenience, reliability and consistency across both mail and parcel services.

## **4. Representing consumers, for a fairer retail energy market**

We know that few customers have faith in the energy market, customer satisfaction levels are low and complaint numbers are high. However, the retail energy market has been through an intense period of self-examination and market participants do seem committed to change. This year we've worked to ensure that the opportunities to make the market function fairly are not missed and that consumers have good reason to become more confident and engaged.

### **Market reforms**

Consumer Futures made a strong contribution to Ofgem's Retail Market Review policy development, representing consumer interests in numerous ways. Ofgem's final package of reforms addressed virtually all of our original concerns highlighted in our open letters on energy tariffs in 2010 and 2011. Our concerns about the treatment of collective switching schemes, the information remedies, treatment of white labels and ensuring the rules were 'future proofed' to support the development of more innovative tariffs were addressed by the regulator.

We were invited to a series of high profile Ministerial roundtables including, Minister for Energy and Climate Change, Greg Barker's event on suppliers' Direct Debit policies and, Energy Secretary, Ed Davey's roundtable on increasing the speed of the switching process and ensured the consumer voice was clearly heard. We've also presented the consumer view at a series of industry events including Ofgem's consumer engagement event and its workshop on domestic and non-domestic Third Party Intermediaries.

In anticipation of the upcoming European Commission Communication on the retail energy market(s) and new guidance from the regulators, we presented, in partnership with the BEUC secretariat, the concerns of GB and European consumers to: European Commission working groups, the AGM of ACER (The Agency for Cooperation between Energy Regulators) and the annual conference of CEER (the Council of European Energy Regulators).

We also met the Welsh energy minister to discuss our Welsh switching report. The minister was subsequently asked about the report in Plenary at the Senedd.

### **Supplier behaviour**

We continued to work with SSE on its Sales Guarantee to compensate customers who had been adversely affected by its sales activities. We lobbied the company to make automatic payments where it had identified that customers had potentially lost out. The company finally agreed to our request and made payments totalling £2.9 million to their customers. SSE promised to donate the remaining balance of the £5 million fund, expected to be £2.5 million, to charities. Following Consumer Futures' request that the increased compensation payouts to consumers should not dilute the donation to be made to the charities, SSE has agreed to pay out a further £400,000 to charities, increasing the total compensation fund to £5.4 million.

As a result of our experience working with suppliers, we've formally requested that the regulator places greater focus on ensuring companies comply with their regulatory obligations rather than simply taking enforcement action after problems have manifested themselves and caused consumer detriment. We think this new approach would be able

to address concerns about the behaviour of some newer entrants in the market by ensuring they are fully aware of their regulatory obligations before they start supplying customers. It would also provide ongoing assistance to more established companies to ensure they don't cause consumer detriment through misunderstandings about their regulatory obligations.

## Complaints

We have continued to work with industry body EnergyUK and suppliers on complaint handling to improve the consistency of direct complaint logging and reporting. We recommenced the publication of our energy complaint handling performance for the large suppliers. This plays a vital role in helping consumer make switching decisions based on services. It also ensures that companies compete to improve performance and ranking on the league table.

We've monitored and, where appropriate, investigated the behaviour of domestic and non domestic suppliers which are causing consumer detriment. During the year we met a series of suppliers to discuss our concerns and agree recovery plans for improving their performance and treatment of consumers in vulnerable situations. When we were unable to negotiate a satisfactory resolution with Spark Energy, we referred the company to the regulator, Ofgem, who subsequently opened an investigation.

The EHU started receiving high volumes of complaints about a new market entrant, Economy Energy, in late summer/autumn 2013. As we always try to in this sort of situation, we worked directly with the supplier to try and address its performance failures, which include:

- customers who were off supply due to new keys not being sent out
- widespread misselling
- failure to respond to complaints in a timely / adequate fashion, etc.

However, despite our intervention, the situation didn't improve so we again involved Ofgem, and supplied detailed evidence about the supplier's performance. Despite our continued work and Ofgem's intervention, the situation continued to deteriorate and, following our advice, Ofgem issued a provisional order against Economy Energy in February 2014 in relation to possible breaches of standard licence conditions 14, 14A, and 22 and of Regulations 3, 4, 5, and 7 of the Complaints Handling Regulations. With Ofgem, we are continuing to work with the company to ensure they are able to provide an adequate level of customer service to their existing customers. Economy Energy will either need to meet the terms of the provisional order or Ofgem has the ability to remove their licence.

As part of our ongoing market monitoring we picked up on consumer complaints about the apparent erroneous application of termination fees when changing supplier. This prompted further investigation with Scottish Power to understand its policy and process. Errors were discovered in over 4,000 accounts. Scottish Power agreed to refund over £200,000 to the affected customers.

## **Bringing clarity to energy**

We further developed and published the 2013/14 Consumer Checklist – *Know your rights in a changing energy market*. Responding to consumer research about the effectiveness of the initial approach, we reached agreement with our statutory consultees to publish a new one page document. This had the advantage of being more user friendly and minimised the costs associated with mailing out the checklist. It is one of our statutory duties to produce this checklist and we worked with the Citizens Advice service on the update and used its branding to make it more accessible to consumers.

We provided policy input into the development of DECC's new initiative, the Big Energy Saving Network, as one of its two advisory partners, chosen for our in depth understanding of energy market issues.

## **Ensuring the fair treatment of energy consumers in vulnerable situations**

We published a research report, *Ability to Pay*, exploring consumer experiences of negotiating debt repayment rates with their energy suppliers. This was followed by an industry workshop bringing together energy and water companies, regulators, charities and consumer bodies to discuss the fair treatment of consumers in debt to their utility company. Suppliers' plans for incorporating the research findings have been discussed in our regular meetings with Ofgem and individual energy suppliers.

We established a working group with the Department for Work and Pensions (DWP) that included representatives from energy and water trade bodies, regulators and consumer groups to discuss the impact and implications of universal credit and welfare reform. The group is an opportunity to share learning with the DWP about the impact on energy and water consumers. We hosted an information session in the summer where the DWP updated industry, regulators, charities and consumer groups about the latest developments in the programme.

Following the Energy and Climate Change (ECC) Select Committee's investigation into energy companies, we wrote to the committee with details about the experience of consumers contacting the EHU and our research into the experiences of prepayment meter consumers who were self disconnecting. The Committee wrote to suppliers referencing our work and using our suggested questions for its information request. We will be publishing a report on this later this year.

## **Advocating on behalf of small business energy consumers**

Following the coroner's investigation into a death associated with the disconnection of property with a shared supply<sup>1</sup>, we issued a joint letter with Ofgem reminding non domestic suppliers of our expectations on the treatment of customers in debt or at risk of disconnection.

We have also worked with EnergyUK to ensure the Safety Net provides adequate protection for consumers living in a property with a shared supply.

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<sup>1</sup> A property where the business and domestic property are supplied off the same meter eg flat above a shop.

We advocated strongly for the development of a robust code of practice for Third Party Intermediaries operating in the non domestic sector, with the code to be backed up by licence conditions.

Following our continued advocacy, additional suppliers committed to sign up to the voluntary back billing code of practice as a minimum; most suppliers were pushed to go further and do not back-bill when at fault for more than 12 months of consumption.

## **5. New energy markets and smart energy markets**

Unless consumers' interests are at the heart of the £11 billion smart meter programme, and other areas of energy policy, consumers will face the costs, but not always enjoy the benefits. Consumer Futures has brought the consumer interest directly into these policy and implementation programmes with governments, regulators and market players. In 2014 we continued to build on our work on consumer protections around smart metering.

### **Building consumer protection**

The Smart Metering Installation Code of Practice (SMICOP) came into force in 2013. This new code backed by a licence condition is designed to ensure customers have a positive experience pre, during and post installation of a smart meter and can access the benefits. This was originally our idea and is the product of three years collaboration with industry, Government and Ofgem and more than 30 drafts. Key protections cover costs, prohibition of sales and unwanted marketing, additional support for vulnerable and prepayment meter consumers, and the provision of energy efficiency advice. We now sit on this code panel and will help monitor its effectiveness as rollout progresses.

We produced six monthly reports about calls to the Citizens Advice consumer service about smart metering. These are shared with Government, Ofgem, industry and the Central Delivery Body. They cover domestic and non-domestic issues and act as an important early warning of problems in the market.

### **Bringing clarity to smart metering**

We published a Data Guide – developed jointly by ourselves and EnergyUK and informed by our customer research. It outlines customers' rights and choices in relation to energy data and will be made available to every household in GB. The new energy data privacy framework we pressed for also came into force. This is important as it gives customers choice and control over how their data is used, helping to protect their privacy, prevent unsolicited sales and marketing, and minimise adverse profiling of customers. We identified a gap in safeguards that affected hundreds of thousands of customers and Ofgem is now consulting on extending privacy protections in the privacy framework to non-compliant meters – this was a gap in safeguards that we identified affected hundreds of thousands of customers.

A significant minority of customers may not have a straight forward smart meter installation – this could result in multiple visits from their supplier, networks, or other parties; greater inconvenience and additional costs. Following our advocacy EnergyUK and the UK Government have committed to identify problems, establish clear roles and responsibilities when things go wrong and clarify customer complaint handling and redress processes. This work should be finished by the end of 2014.

Smart meter rollout provides an opportunity to revolutionise the prepay energy market, address historical problems, increase convenience and reduce the relative cost of these tariffs but there are also new risks which threaten a decline in service and increased costs. We published our report *Smart Prepayment in Great Britain – making prepay energy work in a smart world*. We presented the findings to DECC, Ofgem, and suppliers. The recommendations heavily influenced DECC's smart prepayment road map. It is being used by industry to shape their customer journeys for smart prepay and in the development of an industry Vision for Smart Prepay.

Following our letter, the ECC Select Committee wrote to Energy Minister Baroness Verma regarding low income, vulnerable and prepayment consumers and smart. Her response put on record a number of useful decisions and commitments, particularly in terms of UK Government expectations around smart prepay and suppliers linking up fuel poverty programmes and rollout. The UK Government is particularly supportive of our work to develop an extra help scheme for vulnerable customers which will be published later in the year.

### **Cost effective rollout**

We continued to press for steps for more cost effective rollout and greater co-ordination of supplier activity to achieve million pound savings. This resulted in the ECC Commission recommending a Cooperation Protocol for suppliers, and work being carried out on a distributional impact assessment for smart metering and grids. This should help to identify who the winners and losers will be from rollout and new smarter tariffs.

### **Ensuring consumers benefit**

The Smart Metering Central Delivery Body (CDB) was set up and established in a licence condition as we had campaigned for. This new Body aims to help customers access the benefits of smart metering and has particular responsibilities to support low income and prepayment customers and those in vulnerable situations. It is intended to help customers realise the energy savings that smart can facilitate. These were provisions we specifically pushed for and is the product of three years' work. We have two places on the Board which has now developed the Consumer Engagement Plan. DECC is preparing to strengthen the role of the CDB to support small businesses, following our research on non-domestic customers' experiences of smart and our advocacy in this area.

We published a research report, *A smart business?*, that has helped us, and stakeholders, to better understand micro-businesses experiences of smart-type meters, and to consider how the benefits of rollout could be ensured and if further protections were needed. We have used the results from this research to continue to work with DECC, energy suppliers and the CDB to ensure that the needs of small businesses are fully considered in the rollout of smart meters.

Ofgem's smarter markets working group, on which we sit, has established an expectation of 24 hour switching by 2018. We participated in a Ministerial working group where it was agreed that pre Data Communications Company (DCC) suppliers would reduce switching times from the current five to six weeks to a guaranteed three weeks (following the 14 day customer cool off period) by summer 2014. Barriers to switching with smart have declined this year, since the new protections we pushed for came into force.

We continued to push for guarantees that smart metering will end problems with estimated and inaccurate billing. We advocated for an end to back billing and new Guaranteed Standards for billing once a smart meter is installed. We have made inroads this year – DECC went on record saying there is “no excuse for suppliers to back-bill once a smart meter is installed”; the ECC Select Committee in its recent report also recommended that “Ofgem must be prepared to strengthen the requirements on suppliers to provide accurate bills if there is evidence that they are not receiving accurate bills and/or are being back billed months after a smart meter is installed”. Ofgem has also established ‘no back bills where the customer is not at fault... and timely and accurate opening bills, final bills and rebates’ as a key objective of its smarter markets work.

We have continued our work to ensure that customers can easily access data needed to identify best deal for them; become more energy efficient and access innovative products and services. Following our representations DECC agreed to review the process for customer access to data to make it easier and more secure. We also participated in a midata Innovation Lab helping to create a mobile App that allows consumers to see what energy-related schemes or benefits they are entitled to (for example insulation measures).

## **Smart grids**

Although primarily a set of technological changes to the way in which our electricity networks function, smart grids will affect domestic consumers in a variety of ways, and consumer engagement will be vital to achieve maximum benefits. Our report, *Smart grids: Future-proofed for consumers?*, includes discussion of complex, or ‘smart’, demand-side response (DSR) and has significantly shifted the debate on smart grids with a much greater focus now being given to the non-technical aspects, including the needs of the consumer. We presented to the European Smart Grids Task Force in summer 2013, this report fed into the Commission’s policy review for smart meters as well as smart grids. A Commission Communication due by summer 2014 is expected to clarify how the EU retail market policies should adapt to smart technologies.

We supported UK Power Networks successful Low Carbon Networks Fund (LCNF) bid for a project which focuses on Vulnerable Customers and Energy Efficiency (VCEE) and are working with networks to ensure that innovation trials capture consumer learning.

In addition to the legislative framework, the introduction of DSR will bring changes to network codes, the relationship between the market actors (including consumers) and for wholesale market operations (such as balancing). Throughout the year therefore, our engagement on this issue included a close collaboration with the Commission and CEER (the Council of European Energy Regulators) to identify what additional guidance and regulation is likely to be required.

## **Influencing governments**

The ECC Select Committee report on smart metering was published highlighting many consumer issues that we have worked on. This includes costs and benefits, consumer engagement, the need for interoperability, the role of the DCC, and small businesses and energy displays.

The UK Government published its response to the ECC committee report on the Green Deal watching brief – this outlined how it would monitor many of the issues that we raised at the inquiry and submitted in our evidence.

In January the UK Government published its first Community Energy Strategy for consultation – *Power to the people*. This was informed by joint research we did with DECC. The aim is to help local communities take control of their energy bills and help transform the energy system. Under the proposals Government will broaden the support available for community energy projects, facilitating people to come together to purchase and generate their own energy and will set up a one stop shop information resource for people interested in community energy projects.

We worked actively with the Scottish Government in the development of strategy on Community Benefit Funds, which are set up to benefit communities who are located near to wind farm developments. The proposals reflect our previous recommendations on how to improve governance and transparency for consumers.

## **6. Small business and non-domestic consumers**

Representing the interests of small businesses was a key element of our work. Similar to domestic consumers, many small businesses suffer from time pressures and knowledge gaps, as well as a lack of information and responsive services. However, there is a protection and engagement gap between households and small businesses. This year we have looked to reduce that gap by working with small business groups, regulators and firms to highlight and address issues that affect small businesses across markets.

As well as carrying out SME related work in our energy, post and water projects, we have increased focus and resources on representing small businesses in regulated markets. We appointed a full time member of staff in September to lead on policy and advocacy for small business consumers across all regulated sectors. We commissioned an in-depth quantitative survey of small businesses experiences' as consumers across a number of regulated markets. The report will be published in spring 2014 and will inform Consumer Futures 2014/15 policy agenda for small businesses.

We have also engaged with key stakeholders in government, regulatory bodies, small business groups and the third sector to promote our agenda for small business consumers. This ground work means we are in a good position to become a key advocate for small business consumers across regulated markets and achieve real improvements for this group.

We have been involved in a number of key events and projects that have helped to secure Consumer Futures reputation as a key advocate for small businesses, including:

- presenting key concerns and issues of domestic and small business energy consumers at a Westminster Forum Event on the energy market, where the keynote speaker was Greg Barker MP
- participating in a Number 10 Working Group that developed a programme of voluntary supplier agreements to deliver improvements in the SME energy market. This group has continued into 2014 and key topics for discussion are two main Consumer Futures policy asks – evergreen tariffs and published prices for small businesses
- Consumer Futures was also a member of the steering group of the Federation of Small Businesses (FSB)/University of East Anglia Centre for Competition Policy research project looking at small businesses as consumers.

## **7. Representing the interests of water consumers in Scotland**

As Scotland's statutory representative for water consumers, funded by the Scottish Government through a levy on Scottish Water, we have been a strong and influential consumer voice in Scotland. Sitting on a number of national forums, we ensured that decisions made and outcomes delivered by the Scottish Government and Scottish Water and a number of other bodies, took account of the interests of consumers. This involved highlighting consumer needs in a number of important areas including Scottish Water's performance on its investment programme, the approach taken to address issues related to private water supplies in Scotland, proposals for exemptions from water and sewerage charges and that the principles of charging for water are in line with consumer preferences.

As part of our work to support best practice on water charging in Scotland, we advocated successfully for the establishment of a Scottish Government working group on long-term charging and we conducted research into consumers' attitudes towards paying for water. We have made clear consumer views on the principles that should underpin the charging scheme.

Our 'Water Outlook' report revealed water customers' views on a wide range of issues regarding water services. It pinpointed what works well for consumers and how Scottish Water can improve its services and the information it supplies to customers. Scottish Water is now using this evidence to generate further improvements in its service.

We published a major piece of research on water affordability in Scotland *Keeping your head above water*. It sets out a comprehensive and up to date picture of the prevalence and impact of water debt in Scotland, as well as a review of debt recovery processes and practices. We set out key recommendations to address critical issues and support future work to address water debt and hosted a roundtable with key figures from local authorities and the water industry to identify how progress and improvements can be made for consumers.

We have worked to capture issues that SMEs face as water customers in Scotland, in particular, around the impact of retail competition. Our research report highlighted opportunities and challenges that may arise for SMEs in the future as competition matures.

## **8. Opportunities and challenges of markets in a digital age**

Too often consumers do not benefit from innovation but instead face new forms of detriment. We have added value to policy makers by showing how access to data, new forms of intermediary services and more dynamic approaches to consumer engagement can succeed when traditional regulatory responses might not.

We published a discussion paper on Next Generation Intermediaries (NGIs), which examined a new approach to market engagement that offers consumers better outcomes for less effort. The paper introduces all interested parties to the concept of NGIs and the potential they offer. This includes the potential to bring clear benefits to consumers, to support regulators in their competition aims and to reward those providers who offer best value and are most responsive to consumer need – not least those challenger companies for whom the efficient customer acquisition model that NGIs present would offer a way of

overcoming steep barriers to entry. This was part of our wider work looking at empowering consumers through the use of intermediary services and collective switching.

We have continued to participate in BIS's midata strategy board and the midata innovation lab (mIL) as founding partner, sitting on Innovative apps and services and Consumer security and protection groups. We also contributed to consumer analysis, Open data and Social good apps and services groups.

Our report *Price comparison websites: consumer perceptions and experiences* explored consumer awareness, trust and confidence, user behaviour, accessibility and usability, and interest in take up of a new generation of services that build on the price comparison model. We also presented at MRS Financial Services Research Intelligence Summit on our work on price comparison websites.

In Wales the focus of our work was to specifically examine the opportunities collective switching might provide for people on lower incomes and those who never or rarely switch energy suppliers to obtain greater savings on their energy bills. Collective switching potentially removes some of the barriers often cited by reluctant switchers by taking the onus away from the individual and using group bargaining power to negotiate better energy deals with participating suppliers. Our work in this area has informed the development of the Welsh Government-backed 'Cyd Cymru' collective switching scheme, launched in autumn 2013.

## **9. Post Office services**

We have been working with Post Office Ltd (POL) focusing on the challenging transformation of its business models. We have kept the interests of communities, small businesses and consumers at the forefront of plans to mutualise the network and to grow the contribution of post office services to consumers.

### **PO mutualisation**

We have inputted throughout the year on the work being done by POL to identify a statement of public benefit as part of its journey to becoming mutualised. We attended various Stakeholder Forum groups and we ran consumer groups to feed into the deliberations of that group. We were invited to provide expert input into the design and format of research that POL subsequently agreed to undertake to inform this process. Our experience and expertise was well-received and the outputs from the research were rich in quality and breadth to enable POL to base their ultimate decision upon a robust evidence base.

### **Network Transformation**

This has been the first year of Post Office Limited's (POL's) Network Transformation programme – the largest investment programme in its history – designed to address its reliance on Government grants and the lack of flexibility of the traditional sub post office operating model. Around half of the UK's post offices will, during the course of the three-year programme, receive investment creating more modern, customer focused branches and, in parallel, they will adopt new operating models – Main or Local. Our active consumer scrutiny of branch proposals resulted in 5 per cent of consultation proposals

being withdrawn and 50 per cent being changed to ensure improvements to the accessibility, product range or opening hours of the branch.

Over the past year our activity became increasingly embedded in POL's programme planning, delivery and consultation activity. This provided a range of opportunities to ensure that the programme is delivered in ways increasingly geared towards consumer needs.

We secured a number of major changes to the Transformation programme and new operating models:

- Further improvements were made to the product range in Post Office Locals, including an expanded range of parcel services and cheque deposits for High Street bank current accounts.
- POL agreed to introduce a full product range in any Post Office Local if it is more than five miles by road from the nearest alternative branch. Our modelling suggests this will benefit over 500 'deep rural' locations during the course of the programme.
- POL agreed to a comprehensive action plan to tackle significant shortcomings in the service standards offered in Post Office Locals. This included expanded quality assurance and monitoring processes, and improvements to staff training and support arrangements. This followed Consumer Futures research which found fewer than one in three branches were correctly advising on basic transactions, such as posting second class large letters.

We also actively monitored POL's adherence to the Code of Practice, with over 100 audits of POL's decision making files and rolling checks to ensure stakeholders promptly received consultation materials. Further activity was commissioned to ensure all aspects of the consultation process worked effectively, including rolling checks to monitor whether branches were displaying the full set of required consultation materials

## **Crown Transformation programme**

The Crown Transformation programme commenced in autumn 2012, resulting in tens of thousands of responses to public consultations on the first of 70 Crown branches proposed to convert to franchise branches. We actively scrutinised each of these cases, and in a number of cases entered these into a further review process with senior POL management, which resulted in major revisions to the layout, accessibility and capacity of the new host retailers.

## **Branch locations**

We published our *Centre First* report, which highlighted the importance of main town and city branches remaining in town centre locations. Following cases where POL proposed to relocate such branches to out-of-town centre supermarkets, we called on POL to adopt a 'sequential test' similar to UK planning frameworks, under which town centre locations would always be prioritised.

## Widening the offer

We published new research, *Universally speaking*, on the scope for the Post Office to become the 'front office' for Government services, and to support the introduction of Universal Credit through new budgeting accounts and support arrangements for claimants unable to manage their benefits on a 'digital by default' basis. We worked closely with the Department for Work and Pensions to inform its policy approach and to underline the importance of a post office based solution for claimants, including those who use a Post Office Card Account.

We chaired a working group composed of representatives from DWP's Universal Credit team, regulators, consumer bodies, energy suppliers and Water UK to discuss the likely impacts of the rollout on utility consumers.

In July 2013 we hosted an event with DWP to inform a larger group of energy and water stakeholders about the forthcoming Universal Credit transition. Attendees included 40+ representatives from energy and water companies, Energy UK, Water UK, Ofgem, DECC, CCWater, Citizens Advice and Citizens Advice Scotland.

## 10. Constitutional change in Scotland

We have taken no view on the overall desirability of constitutional change in Scotland. Whatever the outcome of the referendum, be that independence, further devolution or no change to constitutional arrangements, our priority is that consumers, and individuals, be placed at the heart of policy and decision-making in Scotland.

The Scottish Government has indicated that the regulation of essential network markets will be considered in the context of the Independence Referendum in Scotland. Throughout the year we have been active in the development of Scottish Government policy in this critical area for consumers in Scotland. Our report *Energy policy, constitutional change and consumers in Scotland* looked at the practical effects on energy policy that should be considered if Scotland were to become independent, or were otherwise to acquire new powers in relation to energy. It has been influential in informing the debate and the development of Scottish Government policy and will help to ensure that any such consideration happens with an appreciation of the impact for consumers in Scotland and across GB.

We extended our review of energy issues in the context of the Independence Referendum and produced a framework of considerations for designing an energy system based on best practice principles on being consumer focused.

We submitted written and oral evidence to the House of Commons BIS Select Committee Inquiry into the postal services in an independent Scotland.

We also produced a detailed report on consumer protection and representation in the context of potential constitutional change in Scotland. This reviewed the current consumer landscape and looked at the implications for consumer advocacy, advice and education, enforcement and redress. It set out key principles for a 'consumer-focused' consumer protection and representation framework.

# Accounting Officer's report and management commentary

## Introduction

In October 2010, the UK Government announced its intention to abolish Consumer Futures (then Consumer Focus) subsequent to a general review of public bodies. Following a public consultation on its policy, the UK Government announced in April 2012 that from April 2013 the work of Consumer Futures would be restricted to sectors of the economy subject to economic regulation, initially with responsibility for energy and postal services across England, Scotland and Wales with additional responsibility for water in Scotland; and that Consumer Futures, as a statutory body, would be abolished on 31<sup>st</sup> March 2014 and its statutory powers and responsibilities transferred to Citizens Advice, Citizens Advice Scotland (CAS) and the Consumer Council for Northern Ireland (CCNI).

On 9 May 2013, the organisation was rebranded as 'Consumer Futures' to recognise the change in focus of the organisation and to create a clear identity for the staff and core functions of the organisation that would transfer to Citizens Advice, CAS and CCNI. In law our name was the 'National Consumer Council' and this remained unchanged throughout the year.

On 31 December 2013, Mike O'Connor, the Chief Executive and Accounting Officer, left Consumer Futures to take up another post. Stephen Dunmore was appointed to replace Mike O'Connor and carried out this role from 1<sup>st</sup> January to 31<sup>st</sup> March 2014. The necessary assurances at handover were provided by the outgoing Accounting Officer.

An Order under the Public Bodies Act completed its passage through Parliament on 11 March 2014, enabling the abolition of the National Consumer Council on 31<sup>st</sup> March 2014 and the transfer of its powers and responsibilities to the successor bodies. Citizens Advice, CAS and CCNI are not classified as public sector organisations.

## Statutory background and principal activities

Consumer Futures was the name under which the National Consumer Council, a statutory organisation created by the Consumers, Estate Agents and Redress (CEAR) Act 2007, had operated during 2013/14.

The CEAR Act:

- established a new National Consumer Council to provide a strong, coherent consumer advocacy organisation/body, 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 European institutions
- extended redress schemes to all licensed energy suppliers and postal services providers to resolve complaints where suppliers and service providers had not been able to do so, and provide compensation for consumers where 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 (Citizens Advice took over responsibility for providing consumer advice and information from Consumer Direct on 1 April 2012).

Through its policy work, Consumer Futures aimed to understand the diverse aspirations, experiences and fears of consumers across the UK. We learnt from others in the consumer field, tracked data on complaints and customer experience, and conducted new consumer research. In addition to its policy advocacy role, Consumer Futures handled complaints on behalf of vulnerable energy and post consumers referred by Citizens Advice, including those at risk of disconnection.

Staff were based at offices in Glasgow, Cardiff, Belfast and London. Consumer Futures activities in Northern Ireland extended only to the users of postal services. Consumer Futures activities in relation to water were restricted to Scotland.

## **Governance**

The Governance framework for Consumer Futures is detailed within the Governance Report on page 33.

### **Audit and Risk Assurance Committee**

In accordance with best practice and HM Treasury requirements, Consumer Futures appointed an Audit and Risk Assurance Committee. The Committee played a key role in the governance arrangements within Consumer Futures and the principal focus was on providing assurance to the Board on financial management, the internal control framework and the management of risk, particularly around transition and closure.

The members of the Committee were Sharon Darcy (Chair), Stephen Locke and Richard Hill, all of whom were non-executive members of the Consumer Futures Board, and Alison White who joined the Committee in 2012/13 as an independent member. There were no changes in membership during the year. The meetings were also attended by the Chief Executive and other officers of Consumer Futures, observers from the Department for Business, Innovation and Skills (BIS), and both internal and external auditors. The Committee met six times during the year.

### **Internal Audit**

The internal audit service for the year was provided by the Cross Departmental Internal Audit Service (XDIAS). The primary role of Internal Audit was to provide the Accounting Officer and the Audit and Risk Assurance Committee, with an objective evaluation of, and opinions on, the effectiveness of Consumer Futures arrangements for risk management, control and governance.

## **Strategic Review**

### **Funding**

The core activities of Consumer Futures were financed by grant-in-aid from BIS, with regard to energy and postal services across England, Scotland and Wales; and by ring-fenced grant funding received from the Scottish Government (via a levy on Scottish Water) to enable Consumer Futures to carry out its role as the statutory advocate for water customers in Scotland. Total core funding available to Consumer Futures in 2013/14 was £9.432m, upon which the annual budget was set. Funding reduced by 21%

compared to 2012/13, following a decision by the UK Government to transfer funding for general advocacy work to Citizens Advice and CAS from April 2013.

The CEAR Act provides for BIS 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. The table below shows the composition of budgeted funding for 2013/14 and the proportion recoverable from licence holders within the Energy and Post sectors:

Source of funding	Amount £'m	% of total spend
Energy (recoverable)	5.771	61%
Post (recoverable)	3.111	33%
Cross-sector	0.250	3%
<b>Total grant-in-aid</b>	<b>9.132</b>	<b>97%</b>
Water	0.300	3%
<b>Total core funding 13/14</b>	<b>9.432</b>	<b>100%</b>

Consumer Futures carried out research and advocacy in accordance with the composition of funding received. The actual funding drawn-down and utilised during the year is detailed within the Financial Review section of this report.

In addition to the core funding identified above, Consumer Futures received additional funds to host the Customer Forum. Funded by the Water Industry Commission Scotland, the Customer Forum worked to establish customers' priorities and expectations in the strategic review of charges with regard to the water industry in Scotland, and represents those views to the Commission and Scottish Water to secure appropriate outcomes. Funding received during the year equalled expenditure on Customer Forum activities and totalled £140k.

From 1 April 2014, the core function of Consumer Futures continued to operate as part of Citizens Advice, CAS and CCNI, however Consumer Futures as an organisation ceased to exist on 31<sup>st</sup> March 2014 and is therefore deemed not to be a going concern for the purposes of preparing the 2013/14 Annual Report & Accounts. Funding for future years will continue to be provided through a grant in aid allocation, the amount of which will be agreed between BIS and the new hosts (Citizens Advice, CAS and CCNI).

## Operating review

Until March 2013, Consumer Futures operated as the voice of consumers across the economy, working to secure a fair deal on their behalf, but with a specific remit for consumers of postal services, in the gas and electricity markets and for water consumers in Scotland.

On 1 April 2013, our responsibilities to represent consumers in the general economy passed to Citizens Advice and Citizens Advice Scotland. From that date, our remit was restricted to sectors of the market subject to economic regulation, in particular energy, postal services and, in Scotland, water. In that role, we were rebranded as Consumer Futures, and the Government asked us, subject to legislation, to prepare the ground for the transfer of our remaining responsibilities to Citizens Advice and Citizens Advice Scotland - and for our work on postal services in Northern Ireland to transfer to CCNI – at

the end of March 2014.

We achieved this, in partnership with the Citizens Advice, CAS and CCNI, whilst at the same time delivering a full programme of work on behalf of consumers in the relevant regulated sectors. Our work plan in 2013/14 was designed to provide a firm basis for the success of Consumer Futures post-transfer and to recognise the importance of cross-sectoral working. Many of our staff transferred across, including the newly appointed Director, Consumer Futures, thus ensuring the retention of Consumer Futures' skills, knowledge and expertise.

The UK Government has made clear its intention that there will be no reduction of consumer representation in Wales or Scotland as a result of the changes introduced.

Consumer Futures' advocacy tools include:

- empowering consumers through the provision of information either directly to consumers, through partner organisations and through the media
- representing the interests of consumers, and especially consumers who are disadvantaged, to industry, regulators, agencies, UK and devolved governments and the European Commission
- information gathering powers; formal complaints to goods and service providers, regulatory bodies, Government departments, industry and local government associations; judicial action; and super-complaints.

Consumer Futures did not operate as a direct complaints and advice service. The Citizens Advice consumer service acts as the first port of call for practical information and advice across all goods and services. Consumer Futures did however, provide assistance to vulnerable consumers in the energy and postal markets through the Extra Help Unit (EHU), based in Glasgow. The EHU is dedicated to helping customers across the UK who cannot do so themselves, or who find themselves in vulnerable circumstances (for example, electricity or gas disconnections). The EHU was transferred to Citizens Advice Scotland in April 2014.

In 2013/14, we had achieved a number of high profile successes for consumers. These are detailed within the Review section of this Annual Report.

## **Financial review**

The following paragraphs summarise the financial performance of Consumer Futures during the year.

The grant-in-aid drawn-down during the year (based on need) was £7.44m compared to a budgeted, and total available, amount of £9.13m. In accordance with the Treasury's Financial Reporting Manual (FReM), GIA is not shown as income on the Statement of Comprehensive Net Expenditure, rather it is reflected in the Income and Expenditure reserve on the Statement of Financial Position (see the Statement of Changes in Taxpayers' Equity). Other than GIA, all other funding is shown under income and is netted-off against total expenditure.

The Statement of Comprehensive Net Expenditure shows net operating costs of £9.34 million and includes all expenditure incurred by Consumer Futures. Delivery of the Consumer Futures work-plan was a key focus within the year and accounted for £1.36m of total expenditure of which £1.22m related to the commissioning of research.

Other expenditure movements within the year were consistent with our situation as a closing organisation, with premises and office costs showing a significant reduction from 2012/13, whilst increases in training and recruitment reflected the support provided to staff in preparation for redundancy or transfer, and to ensure that as many transferring posts as possible were occupied at 31<sup>st</sup> March 2014. Transition costs were incurred to ensure that current IT systems were fit for transfer, and to maintain business-as-usual (as far as possible) in order to minimise the impact on the transferring function which would continue under the successor bodies.

Staff costs for the year totalled £5.94m (£7.67m in 12/13) which was a significant reduction from the previous year. The reduction in staff costs compared to 2012/13 reflects the transfer of the externally funded project teams in Scotland to a new host from April 2013, and the full year impact of those staff that left Consumer Futures following the Voluntary Redundancy scheme undertaken towards the end of 2012/13. At the beginning of the year it was anticipated that a number of staff may decide to leave Consumer Futures prior to closure, however although the number of leavers during the year have been higher than average, recruitment for most positions was swift and staff levels did not fall to a critical level.

During the year, Consumer Futures undertook both Voluntary and Compulsory redundancy schemes in relation to those posts which were not identified as transferring to either the Citizens Advice, CAS or CCNI following the abolition of Consumer Futures as a statutory body on 31<sup>st</sup> March 2014. In total, 33 staff members were given notice of redundancy in accordance with the Civil Service Compensation Scheme and were made redundant on the 31<sup>st</sup> March 2014. The total costs of redundancy were £620k.

Provisions of £1.7 million continue to be held primarily in relation to employee related costs arising from the merger of Energywatch and Postwatch in 2008. Other provisions include the estimated costs of a closure team consisting of a small number of former Consumer Futures staff, and rental and dilapidation costs for an onerous lease which expires in August 2014.

## **Going concern**

An Order under the Public Bodies Act 2011 completed its passage through Parliament on 11 March 2014, enabling the abolition of the National Consumer Council on 31<sup>st</sup> March 2014 and the transfer of its powers and responsibilities to Citizens Advice, CAS and CCNI.

As the successor bodies are not Government organisations and therefore fall outside of the government accounting boundary with regards to public sector financial reporting, Consumer Futures does not consider it appropriate to prepare the financial statements on a going concern basis. As anticipated, there has not been any material change in the figures reported as a result of adopting this approach.

All closure costs including redundancy and provision of a closure team have been provided for within these financial statements.

The Statement of Financial Position at 31 March 2014 shows net liabilities of £2.417m, the majority of which relates to pension liabilities falling due in future years which will be met by BIS as our sponsoring department. The assets and liabilities of the National Consumer Council were transferred to BIS on 1<sup>st</sup> April 2014.

## **Risks and uncertainties**

The Governance Statement on pages 33 to 42 contains a full discussion of the risk and control framework for Consumer Futures. The main risks discussed in the Statement relate to the transition process.

Consumers faced significant added risk in the context of an economic downturn. This, in turn, made our work all the more urgent, but also raised the risk that, with limited resources, we would not be able to advocate on behalf of consumers in important markets that were failing consumers.

The work and funding of Consumer Futures meant that we had very little risk in terms of price risk, credit risk, liquidity or cash flow risk.

As with most public bodies, future funding was a key area of risk. Consumer Futures had been under increasing pressure to deliver for Consumers with reduced funding. Consumer Futures as a statutory body was abolished on 31<sup>st</sup> March 2014 and its powers and responsibilities transferred to Citizens Advice, CAS and CCNI. As HM Treasury continues to develop its debt reduction strategy, it is likely that pressure on funding will continue in the future and will be a challenge for any successor body.

## **Research & consumer intelligence**

Consumer Futures was an evidenced-based organisation, which depended on high quality, cost effective acquisition and use of 'consumer intelligence' reflecting consumers' needs to properly inform policy and advocacy. We created and utilised a wide ranging, timely and detailed evidence base. Data was provided through numerous channels and included:

- a knowledge base on consumer detriment
- data from Citizens Advice, Citizens Advice Scotland 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).

We supplemented these sources with new primary research that allowed us to build a picture of the full diversity of consumer experience and apply that knowledge to the development of policy, advocacy and empowerment.

## **Directors Report**

### **Sustainability policy**

Sustainability has been central to the policy work of Consumer Futures since its creation under the CEAR Act 2007. It was one of our four strategic campaign goals: to harness the appetite of consumers to adopt more sustainable lifestyles. We aimed to 'practice what we preach' by managing our own sustainability footprint through monitoring our travel and energy usage, publishing and recycling activities across the UK.

### **Single equality scheme**

Consumer Futures's single equality scheme and associated action plan took effect from 6 April 2011. It was an important document during the remaining period of the organisation's life, influencing our day-to-day work and guiding us as we helped shape the future for consumer support and advocacy following our abolition. Our work plan reflected our statutory objective to have regard to the interests of particular groups of disadvantaged consumers.

### **Payment of creditors**

Consumer Futures followed 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.

<b>Paid within</b>	<b>2013/14</b>	<b>2012/13</b>
30 days	94%	95%
5 working days	42%	52%

Please note:

- the above percentage does not include payments made by Government Procurement Card, Foreign Payments, Grants or expenses to staff
- the figures above have been adjusted for disputed invoices.

### **Sickness and absence data**

During the period 1 April 2013 to 31 March 2014, the average staff absence was 5.7 days (5.8 days for the period 1 April 2012 to 31 March 2013).

## **Pensions**

Consumer Futures staff were eligible to be members of the Principal Civil Service Pension Scheme (see note 1.17 within the Financial Statements section, 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, and before the Scottish Parliament with regard to Water advocacy function carried out in Scotland.

## **External audit**

The fee for providing external audit services for the full year Financial Statements to 31 March 2014 was £43,500.

## **Disclosure of relevant information to auditors**

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.

**Stephen Dunmore**  
Accounting Officer  
19 May 2014

## Governance Statement

This Governance Statement, for which I take personal responsibility, is intended to provide a clear understanding of the dynamics of Consumer Futures and its control structure. It records the stewardship of the organisation to supplement the accounts, providing a sense of its performance and of how successfully it has managed the challenges faced during the period.

The Statement explains how Consumer Futures has complied in all material respects with the principles of the UK Central Government's Corporate Governance Code, in so far as those principles are applicable to the organisation. It also explains the governance framework that supports the efficient use of resources in order to deliver Consumer Futures' aims and objectives.

### Accounting Officer's scope of responsibility

As Accounting Officer, I had responsibility for ensuring there was a sound system of governance and internal control structures, and that the organisation's business was conducted in accordance with HM Treasury's *Managing Public Money*, so that public money was safeguarded, properly accounted for and used economically, efficiently and effectively. The role of Accounting Officer was held by Mike O'Connor until he left the organisation on 31 December 2013. I was appointed Accounting Officer by the Department of Business, Innovation and Skills (BIS) with effect from 1 January 2014. Mike O'Connor provided me with a letter of assurance on the internal controls in place during his tenure and an orderly handover took place.

### Consumer Futures' governance framework

The governance framework consisted of the Consumer Futures Board and national advisory Committees in Wales, Scotland and Northern Ireland. The Board was the governing body of Consumer Futures and was responsible for the development of policy and ensuring there was a sound system of internal control to support the achievement of Consumer Futures' aims and objectives.

The Board members during the year were:

#### Christine Farnish (Chair)



Christine Farnish joined the Consumer Focus Board in 2007 and succeeded Larry Whitty as Chair in 2010.

Christine's career has spanned both public and private sectors. She worked in local government before joining OFTEL as Consumer Director in 1994. She was Consumer Director at the Financial Services Authority from 1998 to 2002 and Chief Executive of the National Association of Pension Funds from 2002 to 2006. She was Public Policy Managing Director at Barclays from 2006 to 2011 and then retired to follow a portfolio career.

Christine is a Civil Service Commissioner, Chair of the Peer to Peer Finance Association, and non-executive director on the Boards of OFWAT, ABTA, BSUH and Aggregate Industries. She formerly served on the Boards of the Office of Fair Trading, ING Direct, the Advertising Standards Authority and Papworth NHS Trust.

Christine was awarded CBE in 2013.



### **Stephen Locke (Vice Chair)**

Stephen Locke is a consultant specialising in consumer policy and regulation. He is Chair of London Travelwatch and a Board Member of Passenger Focus. He is also an independent Board Member of, and chairs Consumer Forums at, the Payments Council and Money Advice Service.

Stephen is also Chair of the Advertising Advisory Committee, which advises on TV and Radio advertising rules. He has held a wide range of other non-executive roles. Former executive roles include Director of Advertising and Sponsorship at the Independent Television Commission and Director of Research and Policy at Which?



### **Sharon Darcy**

Sharon is a Lay Member of the Parliamentary Committee on Standards and a Board member and Risk Committee Chair of the National Employment Savings Trust (NEST). She is a member of Ofgem's Low Carbon Network Fund and Network Innovation Competition Expert Panels and Consumer Challenge Group and Ofwat's Customer Advisory Panel. An Associate with environmental think tank Sustainability First, her previous roles include Board member of housing association The Hyde Group, member of the Council of energywatch, Chair of Sutton Borough Citizens Advice Bureau and member of the London and Southern Committee for the Consumer Council for Water.

Sharon is Chair of the Audit and Risk Assurance Committee.



### **Vivienne Sugar**

Vivienne Sugar was appointed as the Chair of Consumer Focus Wales in 2008. She is a Fellow of the Chartered Institute of Housing having previously been Director of Housing at both Newport and Cardiff Councils. Vivienne was Chief Executive of the City and County of Swansea between 1995 and 2003 and subsequently served as Chair of the Welsh Consumer Council, Wales Adviser to the Joseph Rowntree Foundation and as Pro Chancellor of Swansea University. She is currently Director of her own consultancy business working mainly for Government and Local Government and is a member of the Council of The Property Ombudsman and sits on their Finance Committee.



### **Douglas Sinclair**

Douglas is the Chair of Consumer Futures, Scotland Committee. He was previously Chair of Consumer Focus Scotland and the Scottish Consumer Council. Douglas has held posts as Chief Executive of a District Council, Regional Council and Unitary Council and also as Chief Executive of the Convention of Scottish Local Authorities (COSLA). Douglas is also Chair of the Accounts Commission of Scotland.

Douglas was awarded CBE in 2000.



### **Rick Hill**

Rick Hill was appointed as Chair of Consumer Focus Post (Northern Ireland) and member of the Consumer Focus Board in October 2008. In January 2009 he was appointed as Chairman of the Consumer Council (Northern Ireland). He is a former Minister of Garnerville Presbyterian Church, Belfast. He was previously Chair of Northern Ireland Screen Commission, a member of the BBC Audience Council for Northern Ireland and BBC Broadcasting Council for Northern Ireland. He is Owner/Director of Titanic Gap Ltd, Media Consultancy.

Rick was awarded MBE in 2014.



### **Sacha Deshmukh**

Sacha Deshmukh was a Senior Partner of the Engine Group, the UK's largest independent marketing services group, from 2005 to 2012. He was founder and Chief Executive of the largest company in the Engine Group, MHP Communications.

He has served as a Board Trustee of Citizens Advice England & Wales since 2010 and has recently become Vice Chair elect.

Between March and August 2013 he has served as Interim Executive Director of Strategy and External Affairs for the Parliamentary Ombudsman. In July 2013 Sacha was appointed Chief Executive of the Smart Meter Central Delivery Body.



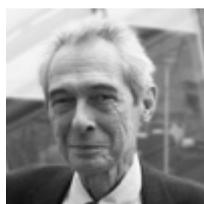
### **Dominic Notarangelo**

Dominic was elected chair of Citizens Advice Scotland (CAS) in 2009. Prior to this he was Vice Chair of the Association. He joined the CAS Board in 2001 serving on both the Finance and Membership committees, chairing Membership from 2002 to 2006. Nominated by CAS, he was appointed to the Consumer Futures Board in July 2013.

Dominic has been the Chair of Glasgow Maryhill & Possilpark CAB since 1997. He represents the bureau board as a Director of the Consortium providing services under contract to the City Council.

Dominic is managing Director of his own Architectural and Interior Design practice based just outside Glasgow. At home he is the Chair of Bishopbriggs Community Council, and past chair of both the East Dunbartonshire Council's Local Licensing Forum and Community Council Liaison Committee.

## Advisory member of the Board



**Jonathan May**

Jonathan is a member of the Financial Services Consumer Panel and of the Competition Appeal Tribunal. He is also a special advisor on consumer competition and regulatory issues to Finsbury International Policy and Regulatory Advisors.

Jonathan had a wide-ranging career in Government, primarily at the Treasury and the Office of Fair Trading (OFT), where he was an executive member of the board from 2006-2010, responsible for policy and delivery across most of OFT's competition and consumer interests.

Since the mid 1990s he has been closely involved in energy, utility regulation and competition and consumer policy at both the Treasury and the OFT.

## Independent member of the Audit & Risk Assurance Committee



**Alison J White**

Alison worked for many years at the most senior level of business specialising in commercial strategy and change leadership. Much of her experience was with the Royal Mail Group, where she qualified as an accountant and MBA, and led international operations, and mergers and acquisitions.

More recently, as a qualified Chartered Director, Alison's focus has been on pursuing a Non-Executive career, blending strong strategic, financial and commercial skills, with professional expertise in corporate governance, risk management and Board accountability

Members of the Scotland, Wales and Northern Ireland Advisory Committees are shown on pages 40 and 41 of this report.

Under the Board's supervision, I was responsible for implementing strategy, putting in place effective systems of internal control and risk management, and leading the Senior Management Team. Standing Orders delegated all matters not specifically reserved to the Board, to me as Chief Executive.

The Board appointed an Audit and Risk Assurance Committee which operated within terms of reference that were reviewed each year. The Chair of the Audit and Risk Assurance Committee reported formally to the Board after each meeting and would submit an annual report to the Board detailing the Committee's work during the year. The Committee advised me on the adequacy of audit arrangements and systems of risk management and control. The work of the Committee gave assurance to the Board and to me, as Accounting Officer, on the effectiveness of internal and external audit, the control environment and standards of governance.

The Committees in Scotland and Wales provided advice to the Board on consumer matters and on the exercise of the organisation's functions within their territories, and could also exercise some functions set out in the CEAR Act 2007. The Northern Ireland Committee had the same responsibilities in respect of postal services in Northern Ireland. There was, additionally, the exception of water in Scotland, where the Scotland Committee had delegated responsibilities, given that our work on water was confined to Scotland and funded through the Scottish Government.

Board and nation Committee members were appointed by the Secretary of State following open competition. Declarations of Interest were updated regularly and were available on the Consumer Futures website. The nation Committee Chairs were also members of the Board. The Board Chair and the Accounting Officer received papers from, and periodically attended, Committee meetings in Scotland, Wales and Northern Ireland. There was a free flow of information between the Board and the nation Committees, and at all levels across the whole organisation.

Members of the Consumer Futures Senior Management Team attend Board and Committee meetings. The Senior Management Team met regularly and provided the Executive function across the organisation.

## **Institutional reform of the consumer landscape**

In 2013/14 the organisation implemented a major programme of transition, working closely with BIS, Citizens Advice, Citizens Advice Scotland and the Consumer Council for Northern Ireland. This followed the UK Government's decision to abolish Consumer Futures and pass its functions to Citizens Advice in England and Wales, Citizens Advice Scotland (two separate organisations described later as 'the Citizens Advice service') and the Consumer Council for Northern Ireland. Some minor functions were also to be passed to Ofgem. Ensuring that these changes, which included a substantial redundancy programme, are successful has been a major challenge for the organisation.

The Government decided that the functions of Consumer Futures would be transferred in two phases. The first phase in April 2013 involved the Citizens Advice service taking on responsibility for consumer advocacy in areas other than those in economically regulated markets. During 2012/13 Consumer Futures therefore withdrew from a wide range of markets and activities. While the Citizens Advice service is now funded by the UK Government to work in these areas, none of Consumer Futures's duties or powers was passed to them in April 2013.

In May 2013, Consumer Focus was renamed Consumer Futures, in preparation for the second phase of the transfer on 1 April 2014. At that point, Consumer Futures was abolished and its remaining responsibilities for consumer representation in energy, postal services and (in Scotland) water, were transferred to the Citizens Advice service and the Consumer Council for Northern Ireland.

## **Managing Transition**

Moving towards abolition and transfer whilst continuing to deliver a demanding work programme on behalf of consumers in energy, postal services and water was extremely challenging. The Board, Audit and Risk Assurance Committee and nation Committees provided the Executive with strong leadership and rigorous oversight of risk management as the transition reached its final stages. We faced a risk in not being able to fulfil our statutory duties or our wider responsibilities, should we lose staff capacity, for example key individuals and leadership, during transition. To mitigate this risk, key posts were identified and prior approval for replacements in these posts, should vacancies occur, was agreed with BIS to minimise downtime. We worked hard to encourage staff to stay with us, both those whose posts were earmarked for transfer to the Citizens Advice service and the Consumer Council for Northern Ireland and those who faced redundancy at the end of March 2014.

For staff in transferring posts, the Citizens Advice service joined with us to provide information on how Consumer Futures would operate in its new home post-transfer. From April 2014, Consumer Futures is a clearly identifiable unit within the Citizens Advice service, with close partnership working between Citizens Advice and Citizens Advice Scotland to ensure that its

GB-wide work is appropriately managed. The Consumer Futures Director, who was appointed in September 2013, reports to the Chief Executive of Citizens Advice but, until the point of transfer, was seconded to Consumer Futures.

The Director led the development of a Consumer Futures work plan for 2014/15, in close collaboration with Citizens Advice and Citizens Advice Scotland. Following a period of external consultation, the work plan was published at the end of March. The work plan reflects Consumer Futures' responsibilities in relation to energy, postal services and, in Scotland, water, and for forging partnerships with other sectoral regulators and consumer advocates to share best practice, identify common issues and identify strategies to protect and empower consumers.

To coordinate the transition process, BIS established a Consumer Futures Project Board, which reported to a wider Consumer and Competition Landscape Reform Programme Board within the Department. It was chaired by BIS and included the Chief Executives of Consumer Futures, Citizens Advice and Citizens Advice Scotland. A Transition Project Group (TPG), comprising the same organisations, was established in May 2013 and met regularly to discuss and agree the details of transition.

## **The risk and internal control framework**

The responsibilities for risk management were:

- the Board responsibility for overseeing risk management within Consumer Futures.
- the Audit and Risk Assurance Committee responsibility for reviewing the systems of internal control and the risk management process.
- the Chief Executive, as Accounting Officer, responsibility for ensuring that effective systems of control were maintained and operated.
- the Senior Management Team, reporting to the Chief Executive, supported, advised and implemented policies approved by the Board and was committed to adopting good risk management practice.
- A Senior Information Risk Officer (SIRO), a member of the SMT, had overall responsibility for the management of risk in relation to data.
- The SMT assessed and prioritised the key corporate risks, with individuals taking on the role of risk champions. A separate Senior Policy Management Team ensured that the management of the organisation's consumer policy was not overlooked as the focus on the closure and transition of the body increased. The Audit and Risk Assurance Committee and the Board received reports on how key corporate risks were being managed.
- Risk management was incorporated into the Consumer Futures project management framework and all employees had access to guidance on the application of risk assessment. The risk register was shared with BIS, Citizens Advice and Citizens Advice Scotland, and contributed to a joint risk register, covering the planned changes to the consumer landscape.

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

- implementation of an annual business plan.
- Financial Memorandum of Understanding and Management Statement with BIS.

- Senior Management Team – met regularly to consider the plans and strategic direction of the organisation, including high level risks; a transition team managed the organisation-wide transition project plan.
- risk management process, where priority was given to mitigating the highest risks.
- rolling programme of audit and assurance work; internal audit was provided through a contract with the BIS Internal Audit team.
- reports to the Audit and Risk Assurance Committee on systems of internal control.
- the Audit and Risk Assurance Committee approved the internal audit plan and reviewed progress on implementing both Internal and External Audit recommendations.
- a risk-based internal audit annual work programme – reports were provided to the Audit and Risk Assurance Committee in order to monitor progress and approve amendments to the work programme.
- the work and funding of Consumer Futures meant that we had very little risk in terms of price risk, credit risk, liquidity or cash flow risk.
- active review of the high level risk register by the Board and the Audit and Risk Assurance Committee.
- oversight of HR issues, policies and procedures by the Board.
- consideration by the Board of critical risks faced by each part of the organisation, and the mitigating actions.
- policies and procedures included Codes of Conduct for employees and members which had been approved, and were designed to mitigate fraud and impropriety
- sharing the Consumer Futures risk register with BIS and the Citizens Advice service to ensure transition risks were communicated and co-ordinated.

## **Review of effectiveness**

As Accounting Officer, I had responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This review was informed by the work of executive managers and internal auditors who had responsibility for the development and maintenance of the governance structures, internal control framework, and comments made by the external auditors in their management letter and other reports.

The Board and its committees provided scrutiny and oversight of the work and effectiveness of the organisation. The Audit and Risk Assurance Committee advised the Board and the Accounting Officer on the strategic processes for risk, control and governance. The Governance Statement represents a review with regard to the effectiveness of the governance framework, risk management and internal control.

The performance of the Board was reviewed annually. The Board Chair conducted formal appraisals with all Board members individually, provided two way feedback on both individual and Board performance, and identified development needs. The Board Chair reported to BIS and advised on Board matters. The Committee Chairs followed a similar formal process for their Committees. The Audit and Risk Assurance Committee reviewed its performance annually and submitted a formal annual 2013/14 report from the Committee to the Board.

A summary of attendance at Board meetings and committees is given below:

<b>Consumer Futures main Board</b>	<b>Board (9 meetings)</b>	<b>Audit &amp; Risk Assurance Committee (6 meetings)</b>
Christine Farnish – Chair	8	*
Rick Hill	9	6
Douglas Sinclair	8	*
Vivienne Sugar	9	*
Sharon Darcy	8	6
Stephen Locke	6	5
Jonathan May	8	*
Alison White	*	6
Dominic Notarangelo **	7	*
Sacha Deshmukh **	4	*

\* Not a member of that committee

\*\* Joined in July 13. Attendance based on a possible 7 meetings

<b>Consumer Futures - Scotland Advisory Committee</b>	<b>(5 meetings)</b>
Douglas Sinclair	5
Liz Breckenridge	4
Alan Hutton	5
Coinneach Maclean	4
Angela McCormack	4
Nicola Munro	3
John Sawkins	2
Alan Sinclair	5
Christopher Keegan *	2

\* Joined in September 13. Attendance based on a possible 3 meetings

<b>Consumer Futures - Wales Advisory Committee</b>	<b>(7 meetings)</b>
Vivienne Sugar	7
Bob Chapman	6
Kevin Fitzpatrick	5
Marcus Longley	6
Eifion Pritchard	6
Malcolm Smith	5
John Williams	6

<b>Consumer Futures - Northern Ireland Advisory Committee</b>	<b>(6 meetings)</b>
Rick Hill – Chair	6
Fiona Boyle	6
Maureen Brennan	3
Maureen Kearney	4
Derrick Nixon	5
Bill Osborne	2

In 2013/14, the Board met formally on nine occasions with two 'catch ups'. In July 2013 BIS appointed Sacha Deshmukh, Citizens Advice Board member (now Citizens Advice Vice Chair) and Dominic Notarangelo, Citizens Advice Scotland Chair, as full members of the Consumer Futures Board. BIS also appointed Chris Keegan, Citizens Advice Scotland Vice Chair, as a full member of Consumer Futures' Scotland Committee with effect from September 2013. These appointments provided valuable support to the transition of Consumer Futures to the Citizens Advice Service.

Board agendas for the year were inevitably driven heavily by work to progress the closure of the organisation and the transfer of functions to the Citizens Advice service and the Consumer Council for Northern Ireland. Transition items were discussed at every meeting and included organisational design, branding, preparation of the 2014/15 work plan, governance, leadership, relations with Government, restructuring, HR matters, the Extra Help Unit, the risk register and transition project plan. The 2014/15 work plan was developed in conjunction with our successor organisations and handed over to Citizens Advice and Citizens Advice Scotland at the transfer date. The Board provided oversight, rigour, challenge and strategic direction to the organisation in a demanding year.

The Audit and Risk Assurance Committee met six times during the year and received regular reports from the National Audit Office, our external auditors, and internal audit. The internal audit reports during the year varied in scale between scheduled reports and specific investigations. The work also varied between day-to-day management of our accounts and processes, and the ever increasing focus on transition and closure. The Committee took particular care this year to provide detailed challenge and advice in the assessment and management of strategic transition risks. It provided close oversight and direction in testing and reviewing the reliability and integrity of audit assurances, and continued to seek rigour, challenge and guidance from internal and external auditors. The Committee believes that through this work it was able to take a fair and measured view of the quality of financial and other systems of control within Consumer Futures.

The internal audit service for the year was provided by the Cross Departmental Internal Audit Service (XDIAS). The internal audit annual report for the period 1 April 2013 to 31 March 2014 provided a *Green and Satisfactory* audit opinion on the overall adequacy and effectiveness of the Consumer Futures framework of risk management, control and governance.

## **Information, security and personal data**

Consumer Futures recognised the importance of managing its information effectively. All areas of Consumer Futures involved the use of knowledge and data, from the consultation process and running of investigations to project work and the management of resources. Arrangements were in place to ensure personal data were processed and handled in line with the principles of the Data Protection Act 1998.

The Audit and Risk Assurance Committee paid close attention to this issue and sought and received assurance from the Chief Executive that the arrangements were robust and efficient. The data transfer project within the overall transition project included data security issues, which Consumer Futures continued to maintain until 31 March 2014, before the agreed handover into the Citizens Advice and Citizens Advice Scotland security framework. Consumer Futures provided the annual data handling risk assessment for BIS and made an annual SIRO statement that proper controls were in place for handling personal and sensitive data. During 2013/14 there were no personal data related incidents at Consumer Futures that required reporting to the Information Commissioner's Office. Consumer Futures implemented the relevant sections of the Security Policy Framework. No significant internal control failures occurred during the year.

## **Conclusion**

I was advised on the review of the effectiveness of our Governance system, including internal control and risk management, by the Audit and Risk Assurance Committee. I considered the evidence provided with regards to the production of the Annual Governance Statement. The conclusion of my review was that Consumer Futures' overall governance and internal control structures were fit for purpose and that there were no issues which could have a material impact on the accounts or no instances of fraud, misuse of resources or significant governance issues.

**Stephen Dunmore**  
Accounting Officer  
19 May 2014

## Remuneration Report

This report covers Consumer Futures for the period 01 April 2013 to 31 March 2014.

### Appointments

Board members are appointed on merit by the Secretary of State on the basis of fair and open competition (unless otherwise stated). The Chief Executive and the Senior Management Team (SMT) are employed under permanent or fixed terms contracts. Terms of appointment of all Board members expired on 31<sup>st</sup> March 2014 following the closure of Consumer Futures.

### Service Contracts

The Constitutional Reform and Governance Act 2010 require Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise

Unless otherwise stated in the table below, the officials covered by this report held appointments which were open ended. Early termination, other than for misconduct, would result in compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### Remuneration and pension entitlements

The following sections provide details of the remuneration (including Full Year Equivalents (FYE) where necessary), any compensation for loss of office and pension interests of Consumer Futures Board members and Senior Management Team. This section is subject to audit.

All members of the Senior Management Team have the same Terms & Conditions as all other Consumer Futures Staff. The terms and conditions for the Chief Executive are agreed by BIS.

	Salary (£'000)		Pension Benefits (£'000)		Total Remuneration (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<b>Chief Executive</b> Mike O'Connor (to 31 Dec 2013)	85-90 (110-115 FYE)	110-115	40-45	65-70	125-130 (150-155 FYE)	175-180
Stephen Dunmore * (from 1 Jan 2014)	55-60 (80-85 FYE)	70-75	0	0	55-60 (80-85 FYE)	70-75
<b>Senior Director Scotland</b> Patricia McAuley (SMT member from 1 Jan 2013)	60-65	15-20 (60-65 FYE)	10-15	0-5 (10-15 FYE)	75-80	15-20 (70-75 FYE)
<b>Senior Director Wales</b> Rhys Evans	60-65	60-65	5-10	20-25	70-75	85-90
<b>Director of Consumer Futures</b> Adam Scorer **	85-90 (75-80 FYE)	75-80	10-15	35-40	100-105 (90-95 FYE)	110-115
<b>Finance Director</b> Matthew Gosling (SMT member from 1 Jan 2013)	60-65	10-15 (55-60 FYE)	0	0	60-65	10-15 (55-60 FYE)
<b>HR Director</b> Annette Clinnick (SMT member from 1 Jan 2013)	65-70	15-20 (65-70 FYE)	25-30	5-10 (20-25 FYE)	90-95	20-25 (85-90 FYE)
<b>Director of Cross Sector</b> Richard Bates (SMT member from 1 Jan-31 Dec 2013)	45-50 (55-60 FYE)	10-15 (55-60 FYE)	5-10	0-5 (15-20 FYE)	50-55 (65-70 FYE)	15-20 (75-80 FYE)
<b>Director of Energy</b> Audrey Gallacher (SMT member from 1 Jan 2013)	65-70	15-20 (65-70 FYE)	5-10	0-5 (10-15 FYE)	75-80	20-25 (80-85 FYE)
<b>Director of Postal Policy &amp; Regulation</b> Robert Hammond (SMT member from 1 Jan 2013)	60-65	15-20 (65-70 FYE)	5-10	0-5 (15-20 FYE)	70-75	15-20 (80-85 FYE)

\* Transition Director from April to December 2013.

\*\* Appointed as Director of Consumer Futures by Citizens Advice on 24 September 13, however continued with Consumer Futures on a secondment basis thereafter. The table shows total remuneration for the year both as an employee of Consumer Futures and of Citizens Advice. The full-year equivalent for 2013/14 reflects remuneration as a Consumer Futures employee only, for comparison purposes with the previous financial year.

## 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.

## Compensation for loss of office

During the year, Consumer Futures undertook both Voluntary and Compulsory redundancy schemes in relation to those posts which were not identified as transferring to Citizens Advice, Citizens Advice Scotland or the Consumer Council for Northern Ireland following the abolition of Consumer Futures as a statutory body on 31st March 2014.

In total, 33 staff members were given notice of redundancy in accordance with the Civil Service Compensation Scheme and were made redundant on the 31st March 2014. A total of 6 Directors were included within this process and received gross compensation as follows:

Stephen Dunmore	15,183
Patricia McAuley	98,802
Rhys Evans	48,503
Matthew Gosling	9,948
Annette Clinnick	9,735
Richard Bates	46,085
<b>Total</b>	<b>228,256</b>

There were no other payments made to Directors in relation to compensation.

## Benefits in Kind

The monetary value of benefits-in-kind covers any benefits treated by H.M. Revenue and Customs as a taxable emolument. There were no benefits-in-kind received by members of the Senior Management Team during the year.

## Salary ratio

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in Consumer Futures in the financial year 2013/14 was £100-105k (2012/13, £110k-115k). This was 3.0 times (2012/13, 3.3) the median remuneration of the workforce, which was £33,723 (2012/13, £33,367).

In 2013/14, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £5k to £69k (2012/13, £5k-£78k)

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions."

## Short term staff benefits

We are required under International Accounting Standard 19 to provide within the accounts for holiday entitlement not taken at the year end. As at 31<sup>st</sup> March 2014 the value of accrued holiday entitlement for senior management was £6k. This is not reflected within the above table.

## Pension Benefits

Name	Accrued pension at pension age as at 31/3/14 and related lump sum £'000	Real Increase in pension and related lump sum at pension age £'000	CETV at 31/03/14 £'000	CETV at 31/03/13 £'000 <sup>i</sup>	Real increase in CETV £'000
Mike O'Connor	35-40	2.5-5	688	607	43
Patricia McAuley	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	332	301	10
Rhys Evans	10-15	0-2.5	116	102	4
Adam Scorer	5-10	0-2.5	120	104	8
Annette Clinnick	0-5	0-2.5	34	14	14
Richard Bates	5-10	0-2.5	94	86	3
Audrey Gallacher	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 0-2.5	303	280	3
Robert Hammond	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 0-2.5	219	196	8

\* Matthew Gosling and Stephen Dunmore did not contribute to the pension scheme; therefore no figures are disclosed

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 Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (Partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for Classic, and 3.5% and 8.25% for Premium, 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 for 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 pensionable earnings during the period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year, and the accrued pension is uprated in line with Pensions Increase legislation. 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% and 12.5% (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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus 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)

## **The Cash Equivalent Transfer Value**

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

The figures include the value of any pension benefit in another scheme or arrangement which the 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 worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken

## **Real increase in CETV**

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

## Remuneration of Consumer Futures Board Members

<b>Main Board</b>	<b>2013/14 £'000</b>	<b>2013/14 Benefits in Kind nearest £100*</b>	<b>2012/13 £'000</b>	<b>2012/13 Benefits in Kind nearest £100*</b>
Christine Farnish – Chair	45-50	Nil	45-50	Nil
Rick Hill	20-25	Nil	20-25	£500
Douglas Sinclair	25-30	£300	25-30	£300
Vivienne Sugar	25-30	£1,900	25-30	£1,000
Sharon Darcy	10-15	Nil	10-15	Nil
Stephen Locke	10-15	Nil	10-15	£100
Jonathan May Board attendee (non-voting member)	0-5	£400	0-5	£0
Dominic Notarangelo * (from July 13)	0-5	£3,400	NA	NA
Sacha Deshmukh * (from July 13)	NA	NA	NA	NA

\* As part of the transition process, BIS appointed Dominic Notarangelo (Chair of Citizens Advice Scotland) and Sacha Deshmukh (Citizens Advice Trustee) to the Consumer Futures Board. Sacha Deshmukh opted not to receive Remuneration in performing this role.

<b>Scotland Advisory Committee</b>	<b>2013/14 £'000</b>	<b>2013/14 Benefits in Kind nearest £100*</b>	<b>2012/13 £'000</b>	<b>2012/13 Benefits in Kind nearest £100*</b>
Douglas Sinclair	See Main Board	See Main Board	See Main Board	See Main Board
Liz Breckenridge	5-10	£100	5-10	£100
Alan Hutton	5-10	Nil	5-10	Nil
Coinneach Maclean	5-10	Nil	5-10	Nil
Angela McCormack	5-10	£100	5-10	£200
Nicola Munro	5-10	£100	5-10	£200
John Sawkins	5-10	£100	5-10	£100
Alan Sinclair	5-10	£100	5-10	£100
Christopher Keegan * (from September 2013)	0-5	Nil	NA	NA

\* As part of the transition process, BIS appointed Christopher Keegan (Vice-chair of Citizens Advice Scotland) to the Scotland Advisory Committee.

<b>Wales Advisory Committee</b>	<b>2013/14 £'000</b>	<b>2013/14 Benefits in Kind nearest £100 *</b>	<b>2012/13 £'000</b>	<b>2012/13 Benefits in Kind nearest £100 *</b>
Vivienne Sugar	See Main Board	See Main Board	See Main Board	See Main Board
Bob Chapman	5-10	Nil	5-10	£300
Kevin Fitzpatrick	5-10	Nil	5-10	£600
Marcus Longley	5-10	Nil	5-10	£100
Eifion Pritchard	5-10	£800	5-10	£1,000
Malcolm Smith	5-10	£2,500	5-10	£3,000
John Williams	5-10	£1,200	5-10	£1,100

<b>Northern Ireland Advisory Committee</b>	<b>2013/14 £'000</b>	<b>2013/14 Benefits in Kind nearest £100 *</b>	<b>2012/13 £'000</b>	<b>2012/13 Benefits in Kind nearest £100 *</b>
Rick Hill – Chair	See Main Board	See Main Board	See Main Board	See Main Board
Fiona Boyle	0-5	£100	0-5	£100
Maureen Brennan	0-5	£100	0-5	£100
Maureen Kearney	0-5	£300	0-5	£400
Derrick Nixon	0-5	£800	0-5	£1,000
Bill Osborne	0-5	£200	0-5	£200

\*The benefits-in-kind for non-executive members relates to travel for Board and other Committee meetings, and includes the associated tax liability which was met by Consumer Futures. Consumer Futures has an agreement in place with HM Revenue and Customs to meet income tax and national insurance on these benefits on behalf of the non-executive members,

**Stephen Dunmore**  
Accounting Officer  
19 May 2014

## Statement of Accounting Officers responsibilities 2013/14

Under the CEAR Act 2007, the Secretary of State for BIS, with the approval of HM Treasury, has directed Consumer Futures to prepare for each financial year 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 Futures and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, until such time that it would be inappropriate to do so

The Accounting Officer for BIS has designated the Chief Executive as Accounting Officer of Consumer Futures. 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 the assets of Consumer Futures, are set out in *Managing Public Money* published by the HM Treasury.

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

I certify that I have audited the financial statements of Consumer Futures for the year ended 31 March 2014 under the Consumers, Estate Agents and Redress Act 2007. The financial statements comprise the Statements of Comprehensive Net Expenditure; Financial Position, Cash Flows; Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are 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, certify and report on the financial statements in accordance with the Consumers, Estate Agents and Redress Act 2007. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

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

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Consumer Futures' affairs as at 31 March 2014 and of the net expenditure 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 Secretary of State directions issued thereunder.

### **Emphasis of Matter**

Without qualifying my opinion, I draw attention to the disclosures in note 1.3 of the financial statements concerning management's decision to apply a basis other than going concern in the preparation of the financial statements. An order under the Public Bodies Act 2011 provided for the abolition of Consumer Futures and the transfer of its function to Citizens Advice, Citizens Advice Scotland and the Consumer Council for Northern Ireland on 1 April 2014.

### **Opinion on other matters**

In my opinion:

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

**Amyas C E Morse**  
**Comptroller and Auditor General**

**Date** 2 June 2014

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

# Report of the Comptroller and Auditor General to the Houses of Parliament

## Introduction

Consumer Futures (formerly Consumer Focus) was the operating name of the National Consumer Council. It was a non-departmental public body, sponsored by the Department for Business, Innovation and Skills, responsible for providing advocacy on behalf of consumers with companies, regulators, Government and European Institutions. It was created after the passing of the Consumers, Estate Agents and Redress Act 2007.

In October 2010, the Government announced its plans to abolish Consumer Futures and transfer its functions to Citizens Advice, which is a registered charity. Following public consultation on the proposals, the Government restricted Consumer Futures' activities to cover only regulated sectors of the economy from April 2013 onwards. An order under the Public Bodies Act 2011 provided for the abolition of Consumer Futures and the transfer of its function to Citizens Advice, Citizens Advice Scotland and the Consumer Council for Northern Ireland on 1 April 2014.

This report documents the assurance provided to Parliament over the completeness and subsequent transfer and distribution of those assets and liabilities held by Consumer Futures at the point at which it was closed.

## Basis of preparation of the financial statements

I draw attention to the disclosures made in note 1 to the financial statements. Consumer Futures ceased operations on the 31 March 2014. Its assets and liabilities, amounting to total net liabilities of £2,417,000 were transferred to the Department of Business, Innovation and Skills. As the functions of Consumer Futures have been transferred to bodies which are classified by the Office for National Statistics as being outside of the public sector, the financial statements have been prepared on a basis other than as a going concern, as required by the International Financial Reporting Standards.

## Costs reported in the financial statements

My audit of Consumer Futures' financial statements covers the costs of its operations for the financial year.

## Assets and liabilities transferred to the Department of Business, Innovation, and Skills

As at 31 March 2014, Consumer Futures held assets of £17,000 and liabilities of £2,434,000. The assets held by Consumer Futures comprised £15,000 of 'other receivables' and £2,000 of cash.

Consumer Futures' liabilities comprised of amounts payable to suppliers and other parties of £114,000; payables relating to redundancy payments of £620,000; and provisions of £1,699,000 relating to Consumer Futures' obligations to make payments into the pension schemes of former employees of Energywatch and Postwatch who were made redundant upon merger with the National Consumer Council.

The financial statements also report Consumer Futures' future lease commitments of £49,000 for Royal Exchange House in Scotland. The obligations under the property lease will transfer to the Department of Business Innovations and Skills for settlement.

Under the transfer scheme, approved by Ministers, these various Consumer Futures assets and liabilities were transferred to the Department for Business Innovation and Skills on 1 April 2014. This included the obligations under the Royal Exchange House property lease.

### **Assets transferred to the Citizens Advice services and other organisations**

As at 31 March 2014, all other physical and intangible assets held by Consumer Futures were fully depreciated and therefore had a nil book value. The tangible and intangible assets mainly comprised office fixtures and fittings; information technology items; and software licenses. Under the transfer scheme, approved by Ministers, the majority of these nil value assets were transferred to Citizens Advice and Citizens Advice Scotland for no consideration. The remaining nil value assets were transferred to the General Consumer Council for Northern Ireland, Competition and Markets Authority, UK Health Forum and Companies House.

My audit has provided me with assurance that the transfer of assets has been carried out in accordance with the transfer scheme. I have also gained assurance that Consumer Futures' assets and liabilities as at 31 March 2014 have been completely and accurately recorded in the financial statements.

**Amyas C E Morse**  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

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**Date 2 June 2014**

# Financial Statements

## Statement of Comprehensive Net Expenditure for the period ending 31 March 2014

	Note	2013/14 £'000	2012/13 £'000
<b><u>Expenditure</u></b>			
Staff Cost	3a	5,939	7,672
Depreciation		216	263
Other Expenditure	4a	<u>3,675</u>	<u>4,581</u>
<b>Total operating expenditure</b>		<b>9,830</b>	<b>12,516</b>
<b><u>Income</u></b>			
Rental Income	5	(14)	(36)
Other Income	6	<u>(472)</u>	<u>(2,090)</u>
<b>Total income</b>		<b>(486)</b>	<b>(2,126)</b>
<b>Net Expenditure</b>		<b><u>9,344</u></b>	<b><u>10,390</u></b>
Interest Receivable	7	(5)	(7)
<b>Net expenditure after interest</b>		<b><u>9,339</u></b>	<b><u>10,383</u></b>
Taxation	8	1	2
<b>Net expenditure after tax</b>		<b><u>9,340</u></b>	<b><u>10,385</u></b>

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2014**

	Note	As at 31 March 14 £'000	As at 31 March 13 £'000
<b><u>Non- Current assets:</u></b>			
Intangible assets	9	0	15
Property, plant and equipment	10	0	202
<b>Total non current assets</b>		<b>0</b>	<b>217</b>
<b><u>Current assets</u></b>			
Trade and other receivables	11	15	281
Cash and cash equivalents	12	2	2,932
<b>Total current assets</b>		<b>17</b>	<b>3,213</b>
<b>Total assets</b>		<b>17</b>	<b>3,430</b>
<b><u>Current Liabilities</u></b>			
Trade and other payables	13	(114)	(1,385)
Current tax liabilities	13	(1)	(2)
Provisions	14	(725)	(528)
Other liabilities	13	(620)	(750)
<b>Total current liabilities</b>		<b>(1,460)</b>	<b>(2,665)</b>
<b>Total assets plus net current liabilities</b>		<b>(1,443)</b>	<b>765</b>
<b><u>Non current liabilities</u></b>			
Provisions	14	(974)	(1,265)
<b>Total non current liabilities</b>		<b>(974)</b>	<b>(1,265)</b>
<b>ASSETS LESS TOTAL LIABILITIES</b>		<b>(2,417)</b>	<b>(500)</b>
<b>Tax payers' equity</b>			
I&E reserve		(2,417)	(500)
		<b>(2,417)</b>	<b>(500)</b>

The financial statements and notes on pages 55 to 74 were approved by BIS on 19th May 2014 and were signed on its behalf by:

**Stephen Dunmore**  
Accounting Officer  
19th May 2014

**Statement of cash flows  
for the period ending 31 March 2014**

	Note	2013/14 £'000	2012/13 £'000
<b>Cash flows from operating activities</b>			
Net expenditure before tax		(9,339)	(10,383)
Loss on disposal of fixed assets		1	7
Depreciation charge		216	263
(Increase) decrease in trade and other receivables	11	266	148
Increase (decrease) in trade payables	13	(1,402)	(1,390)
Movement in provisions	14	(94)	(276)
Actuarial gain (loss) on pension provision	14e	(20)	19
Taxation	8	(1)	(2)
<b>Net cash outflow from operating activities</b>		<b>(10,373)</b>	<b>(11,614)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	0	(74)
<b>Net cash outflow from investing activities</b>		<b>0</b>	<b>(74)</b>
<b>Cash flows from financing activities</b>			
Grant in Aid received to fund current year activities		7,443	10,654
<b>Net Financing</b>		<b>7,443</b>	<b>10,654</b>
<b>Net decrease in cash and cash equivalents in the period</b>		<b>(2,930)</b>	<b>(1,034)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	12	<b>2,932</b>	<b>3,966</b>
<b>Cash and cash equivalents at the end of the period</b>	12	<b>2</b>	<b>2,932</b>

**Statement of Changes in Taxpayers' Equity  
for the period ending 31 March 2014**

	Note	Revaluation Reserve £'000	I&E Reserve £'000	Total Reserve £'000
<b>Opening taxpayers' equity at 1 April 2012</b>		0	(788)	(788)
Actuarial gain (loss)	14e	0	19	19
Retained deficit		0	(10,385)	(10,385)
		<b>0</b>	<b>(11,154)</b>	<b>(11,154)</b>
Grant in Aid		0	10,654	10,654
<b>Balance at 31 March 2013</b>		<b>0</b>	<b>(500)</b>	<b>(500)</b>
<b>Opening taxpayers' equity as at 1 April 2013</b>		0	(500)	(500)
Actuarial gain (loss)	14e	0	(20)	(20)
Retained deficit		0	(9,340)	(9,340)
		<b>0</b>	<b>(9,860)</b>	<b>(9,860)</b>
Grant in Aid		0	7,443	7,443
<b>Balance at 31 March 2014</b>		<b>0</b>	<b>(2,417)</b>	<b>(2,417)</b>

## **Notes to the Financial Statements**

### **1.1 Statement of Accounting Policies**

These financial statements have been prepared in accordance with the 2013/14 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 Futures for the purpose of giving a true and fair view has been selected. The particular policies adopted by Consumer Futures 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 Going Concern**

An Order under the Public Bodies Act 2011 completed its passage through Parliament on 11 March 2014, enabling the abolition of the National Consumer Council on 31<sup>st</sup> March 2014 and the transfer of its powers and responsibilities to Citizens Advice, CAS and CCNI.

As the successor bodies are not Government organisations and therefore fall outside of the government accounting boundary with regards to public sector financial reporting, Consumer Futures does not consider it appropriate to prepare the financial statements on a going concern basis. As anticipated, there has not been any material change in the figures reported as a result of adopting this approach.

All closure costs including redundancy and provision of a closure team have been provided for within these financial statements.

The Statement of Financial Position at 31 March 2014 shows net liabilities of £2.417m, the majority of which relates to pension liabilities falling due in future years which will be met by BIS as our sponsoring department. The assets and liabilities of the National Consumer Council were transferred to BIS on 1<sup>st</sup> April 2014.

### **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 Futures'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 Futures'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 Futures 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 Futures.

### **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 (e.g. workstations, chairs, filing cabinets) and low value IT assets or equipment (e.g. 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 fixed 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 Futures accounting policy is to depreciate fixed assets over the following useful economic lives:

<u>Asset Type</u>	<u>Useful Economic Life</u>
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

## 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 cash 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 Futures, 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 income and 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 income and 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 Futures has transferred substantially all the risks and rewards of ownership.

### 1.11.1 Financial Assets

Consumer Futures 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 Futures 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 Futures 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% for Early Retirement Provisions and for other provisions -1.9%, -0.65% and 2.2% for a period of 0-5yrs, 6-10yrs and >10yrs, respectively).

In accordance with IAS 19 all actuarial gains/losses are recognised in the Statement of Changes in Taxpayers' Equity in the year in which they are incurred.

#### 1.13 Contingent liabilities

In accordance with IAS 37, Consumer Futures 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 Futures's control, unless their likelihood is considered remote.

#### 1.14 Taxpayer's equity

This is made up of the following:

- a) income and expenditure reserve
- b) grant-in-aid is treated as financing and taken directly to the I&E reserve.

#### 1.15 Significant Estimation techniques

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 Statement of Comprehensive 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 Statement of Comprehensive Net Expenditure.

#### 1.16 VAT

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

#### 1.17 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 Futures 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 Futures recognises the contributions payable for the year.

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

### 1.18 Accounting standards issued by not yet effective on Consumer Futures accounts

Certain new standards, amendments and interpretations to existing standards have been published but are not effective on Consumer Futures's accounting period.

The following new standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by Consumer Futures:

- IFRS 9 Financial Instruments (new) - no mandatory effective date.
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement (new) - effective date 1 January 2013 (EU adopted)
- IAS 17 replacement - Leases - no target date for IFRS.
- IAS 18 replacement - Revenue Recognition and Liabilities Recognition - effective January 2015.
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures - effective date 1 January 2014 (EU adopted).

The Board anticipated that the adoption of these standards and interpretations in future periods would have no material impact on these financial statements.

## 2 Analysis of Net Expenditure by Segment

<b>2013/14</b>	<b>Core £'000</b>	<b>NSMC £'000</b>	<b>Water advocacy (Scotland) £'000</b>	<b>Externally funded activities £'000</b>	<b>TOTAL £'000</b>
Staff Expenditure	5,762	0	136	41	<b>5,939</b>
Other Expenditure	3,436	0	140	99	<b>3,675</b>
Depreciation	216	0	0	0	<b>216</b>
Income	(70)	0	(276)	(140)	<b>(486)</b>
<b>Net Expenditure</b>	<b>9,344</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,344</b>

<b>2012/13</b>	<b>Core £'000</b>	<b>NSMC £'000</b>	<b>Water advocacy (Scotland) £'000</b>	<b>Externally funded activities £'000</b>	<b>TOTAL £'000</b>
Staff Expenditure	6,799	0	134	739	<b>7,672</b>
Other Expenditure	3,469	75	132	905	<b>4,581</b>
Depreciation	263	0	0	0	<b>263</b>
Income	(141)	(75)	(266)	(1,644)	<b>(2,126)</b>
<b>Net Expenditure</b>	<b>10,390</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,390</b>

Core - Consumer Futures 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 licences under the provisions of the Utilities Act 2000 and Postal Services Act 2000. From April 2013 the work of Consumer Futures was restricted to sectors of the market subject to economic regulation.

Water advocacy - Consumer Futures Scotland is the statutory advocate for water customers in Scotland. Funded by the Scottish Government via a levy on Scottish Water, a programme of research and policy development is undertaken to enable strong advocacy on the most important issues for Scotland's water customers. Water has been part of Consumer Futures since 2011

Externally funded activities - Consumer Futures receives funding from the Water Industry Commission Scotland (WICS) to host the Customer Forum, which aims to ensure that water customers in Scotland have a voice within the regulatory process.

<b>3a Staff Costs</b>	<b>2013/14 £'000</b>	<b>2012/13 £'000</b>
Wages and salaries	3,855	5,280
Social security costs	321	437
Pension contributions	613	932
Temporary Staff and secondees	286	114
Redundancy and severance costs	633	861
Early retirement costs	231	48
	<u>5,939</u>	<u>7,672</u>

<b>Average number of staff</b>	<b>2013/14</b>	<b>2012/13</b>
Staff permanently employed	100	142
Temporary and casual staff	10	5
	<u>110</u>	<u>147</u>

### 3b Exit Packages

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
<£10,000	5	0	2	6	7	6
£10,000 - £25,000	14	0	6	8	20	8
£25,000 - £50,000	3	0	2	13	5	13
£50,000 - £100,000	0	0	1	3	1	3
£100,000 - £150,000	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	0	0	0
<b>Total number of exit packages by type</b>	<b>22</b>	<b>0</b>	<b>11</b>	<b>30</b>	<b>33</b>	<b>30</b>
<b>Total resource cost *</b>	<b>357,105</b>	<b>0</b>	<b>275,477</b>	<b>860,632</b>	<b>632,582</b>	<b>860,632</b>

\* *Other agreed departures* for 2013/14 includes an adjustment of £12k for two Consumer Futures employees made redundant during 2012/13.

Redundancy and other departure costs have been paid in accordance with the provision of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full within the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

#### Pension Schemes

The PCSPS is an unfunded multi employer defined benefit scheme but Consumer Futures 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 Principal Civil Service Pension Schemes (PCSPS). Consumer Futures 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 £589k (2012/13: £907k) were payable to the PCSPS for the year to 31 March 2014, 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 £18,161 (£2012/13: £19,894) were paid to one or more stakeholder pension providers. Employer's contributions are age related and range between 3 and 12.5 percent of pensionable pay. Employers also match contributions up to 3 per cent of pensionable pay. In addition employee contributions of £5,036 (2012/13: £3,889) (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.

4a Other expenditure	2013/14 £'000	2012/13 £'000
Travel and subsistence	208	194
Office costs (including postage, IT, web development, copying and telecommunications)	173	264
ICT	344	326
Research and consultation	1,513	1,870
Staff Learning and Development (including Board development)	148	99
Other staff related costs (including recruitment and advertising)	88	46
Promotions, campaigns and Marketing	25	168
Consultancy and professional fees	151	233
Rent, rates and associated services	683	927
Loss/(profit) on disposal of fixed assets	1	6
Auditors remuneration	44	44
Subscriptions and Publications	133	222
Conference costs	41	56
Grants and Donations	0	88
Release from onerous lease provision (see Note 14 - Provisions)	0	(75)
Unwinding of discount factor *	42	56
Other costs	31	(15)
Dilapidations	50	72
	3,675	4,581

\* The prior year comparative has been reclassified for comparability and understanding

#### 4b Expenditure on the Main Work Streams

	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
	<u>Total</u>	<u>Energy</u>	<u>Post</u>	<u>BIS</u>	<u>Water</u>	<u>Other</u>
Total operating expenditure as per Statement of Comprehensive Net Expenditure	9,830	5,946	3,218	250	275	141
Less externally funded projects (Scotland)	(416)	0	0	0	(275)	(141)
Less Rental for Legacy buildings	(14)	(9)	(5)	0	0	0
Less Other Income	(56)	(56)	0	0	0	0
Net Expenditure as per Statement of Comprehensive Net Expenditure	9,344	5,881	3,213	250	0	0
Add back related provision movement	(364)	(247)	(117)	0	0	0
Cash Equivalent per Work Stream	8,980	5,634	3,096	250	0	0

<b>5 Rental Income</b>	<b>2013/14</b>	<b>2012/13</b>
	£'000	£'000
Rental Income from sub-let of property	(14)	(36)
	<u>(14)</u>	<u>(36)</u>

<b>6 Other Income</b>	<b>2013/14</b>	<b>2012/13</b>
	£'000	£'000
Other Income	(472)	(2,090)
	<u>(472)</u>	<u>(2,090)</u>

Other income consists principally of funding received by from the Scottish Government to provide an advocacy service for Water consumers in Scotland, and from the Water Industry Commission to establish and maintain a Customer Forum with the aim of ensuring that water customers have a voice within the regulatory process in Scotland.

This may be analysed as follows

	<b>2013/14</b>	<b>2012/13</b>
	£'000	£'000
Scottish Government	(276)	(1,760)
Water Industry Commission	(140)	(150)
National Social Marketing Centre	0	(75)
Other	(56)	(105)
	<u>(472)</u>	<u>(2,090)</u>

<b>7 Interest Receivable and payable</b>	<b>2013/14</b>	<b>2012/13</b>
	£'000	£'000
Receivable from the bank for funds on short term deposit	(5)	(7)
	<u>(5)</u>	<u>(7)</u>

<b>8 Corporation tax</b>	<b>2013/14</b>	<b>2012/13</b>
	£'000	£'000
<i>Current tax</i>		
Charge for the year	1	2
	<u>1</u>	<u>2</u>

Corporation tax is paid on the interest received from our commercial bank account. The figure has been calculated using 23% of interest received.

<b>9 Intangibles</b>	<b>Software</b> £'000	<b>Licences</b> £'000	<b>Totals</b> £'000
At 1 April 2012	74	85	159
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
At 31 March 2013	<u>74</u>	<u>85</u>	<u>159</u>
At 1 April 2013	74	85	159
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
At 31 March 2014	<u>74</u>	<u>85</u>	<u>159</u>
<b>Amortisation</b>			
At 1st April 2012	(58)	(66)	(124)
Provided during the year	(8)	(12)	(20)
Disposals	0	0	0
Revaluations	0	0	0
At 31 March 2013	<u>(66)</u>	<u>(78)</u>	<u>(144)</u>
At 1 April 2013	(66)	(78)	(144)
Provided during the year	(8)	(7)	(15)
Disposal	0	0	0
Revaluations	0	0	0
At 31 March 2014	<u>(74)</u>	<u>(85)</u>	<u>(159)</u>
<b>Net Book Value</b>			
At 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2013	<u>8</u>	<u>7</u>	<u>15</u>
At 1 April 2012	<u>16</u>	<u>19</u>	<u>35</u>

## 10 Property, Plant and Equipment

	Leasehold improvements	Information Technology	Furniture and Fixtures	Other Office Equipment	Totals
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2012	288	454	214	106	1,062
Additions	74	0	0	0	74
Disposals	0	0	(9)	0	(9)
Revaluations	0	0	0	0	0
At 31 March 2013	<u>362</u>	<u>454</u>	<u>205</u>	<u>106</u>	<u>1,127</u>
At 1 April 2013	362	454	205	106	1,127
Additions	0	0	0	0	0
Disposals	(80)	0	(80)	(8)	(168)
Revaluations	0	0	0	0	0
At 31 March 2014	<u>282</u>	<u>454</u>	<u>125</u>	<u>98</u>	<u>959</u>
<b>Depreciation</b>					
At 1 April 2012	(162)	(310)	(151)	(60)	(683)
Provided during the year	(109)	(78)	(31)	(25)	(243)
Disposal	0	0	1	0	1
Revaluations	0	0	0	0	0
At 31 March 2013	<u>(271)</u>	<u>(388)</u>	<u>(181)</u>	<u>(85)</u>	<u>(925)</u>
At 1 April 2013	(271)	(388)	(181)	(85)	(925)
Provided during the year	(91)	(66)	(23)	(21)	(201)
Disposal	80	0	79	8	167
Revaluations	0	0	0	0	0
At 31 March 2014	<u>(282)</u>	<u>(454)</u>	<u>(125)</u>	<u>(98)</u>	<u>(959)</u>
<b>Net Book value</b>					
At 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2013	<u>91</u>	<u>66</u>	<u>24</u>	<u>21</u>	<u>202</u>
At 1 April 2012	<u>126</u>	<u>144</u>	<u>63</u>	<u>46</u>	<u>379</u>
<b>Asset Financing</b>					
Owned	0	0	0	0	0
Net Book value as at 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 11 Trade Receivables and other current assets

	As at 31 March 14 £'000	As at 31 March 13 £'000
Amounts falling due within one year:		
Trade receivables	0	7
Other receivables	15	26
Prepayments	0	248
	<u>15</u>	<u>281</u>
Receivables due after more than one year	0	0
Total Receivables	<u><u>15</u></u>	<u><u>281</u></u>

## 11a Intra-Government Balances

	As at 31 March 2014		As at 31 March 2013	
	Receivables: Amounts falling due within one year £'000	Receivables: Amounts falling due after one year: £'000	Receivables: Amounts falling due within one year £'000	Receivables: Amounts falling due after one year: £'000
Balances with central government bodies	0	0	3	0
Balances with local authorities	0	0	0	0
Balances with bodies external to government	15	0	278	0
Total	<u>15</u>	<u>0</u>	<u>281</u>	<u>0</u>

## 12 Cash and Cash equivalents

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
As at 1 April	2,932	3,966
Cash inflow (outflow)	(2,930)	(1,034)
As at 31 March	<u><u>2</u></u>	<u><u>2,932</u></u>

All cash balances represent funds held in commercial bank accounts

### 13 Trade payables and other current liabilities

	As at 31 March 14 £'000	As at 31 March 13 £'000
Amounts falling due within 1 year:		
Trade payables	(15)	(335)
Accruals	(99)	(1,050)
Trade and other payables	<u>(114)</u>	<u>(1,385)</u>
Other Taxation and Social security and pension contributions	0	(115)
Deferred Income	0	(490)
Other payables	(620)	(145)
Total other liabilities	<u>(620)</u>	<u>(750)</u>
Corporation tax	(1)	(2)
<b>Total current liabilities</b>	<u><b>(735)</b></u>	<u><b>(2,137)</b></u>

There are no amounts falling due after more than 1 Year

### 13a Intra-Government Balances

	As at 31 March 2014		As at 31 March 2013	
	Payables: Amounts falling due within one year £'000	Payables: Amounts falling due after one year: £'000	Payables: Amounts falling due within one year £'000	Payables: Amounts falling due after one year: £'000
Balances with central government bodies	(25)	0	(920)	0
Balances with local authorities	0	0	0	0
Balances with NHS bodies	0	0	(13)	0
Balances with bodies external to government	(710)	0	(1,204)	0
Total	<u>(735)</u>	<u>0</u>	<u>(2,137)</u>	<u>0</u>

## 14 Provisions for liabilities and charges

	Onerous leases provision	Early retirement provision		Pension Provision	Others	Total
		EW	on merger			
As at 1 April 2012	(176)	(155)	(1,413)	(325)	0	<b>(2,069)</b>
New provision recognised	(50)	0	0	0	(116)	<b>(166)</b>
Amounts used in the period	48	31	350	24	0	<b>453</b>
Changes to existing provisions	75	(4)	(44)	19	0	<b>46</b>
Unwinding of the discount factor	3	(5)	(40)	(15)	0	<b>(57)</b>
<b>Balance at 31 March 2013</b>	<b>(100)</b>	<b>(133)</b>	<b>(1,147)</b>	<b>(297)</b>	<b>(116)</b>	<b>(1,793)</b>
As at 1 April 2013	(100)	(133)	(1,147)	(297)	(116)	<b>(1,793)</b>
New provision recognised	0	0	0	0	(35)	<b>(35)</b>
Amounts used in the period	50	51	299	22	46	<b>468</b>
Changes to existing provisions	4	(35)	(196)	(20)	(50)	<b>(297)</b>
Unwinding of the discount factor	0	(3)	(27)	(12)	0	<b>(42)</b>
<b>Balance at 31 March 2014</b>	<b>(46)</b>	<b>(120)</b>	<b>(1,071)</b>	<b>(307)</b>	<b>(155)</b>	<b>(1,699) *</b>
Not later than one year	(46)	(120)	(382)	(22)	(155)	<b>(725)</b>
Later than one year and not later than five years	0	0	(689)	(88)	0	<b>(777)</b>
Later than five years	0	0	0	(197)	0	<b>(197)</b>
<b>Balance at 31 March 2014</b>	<b>(46)</b>	<b>(120)</b>	<b>(1,071)</b>	<b>(307)</b>	<b>(155)</b>	<b>(1,699) *</b>

\* All liabilities in relation to provisions transferred to BIS on 1st April 14

### a. Onerous leases and leasehold obligations provisions

Following a decision by the UK Government to abolish Consumer Futures, a provision was recognised for obligations under a property lease with a termination date that exceeded the anticipated closure date for Consumer Futures of 31st March 2014. The amount recognised reflects all outstanding liabilities under the lease from April 2014 to the expiry date of the lease, August 2014.

### b. Provisions for early retirement pensions prior to the closure of Energywatch

The provisions for early retirement reflect Consumer Futures'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 Futures's control. The payments are funded through grant-in-aid from BIS. The obligations will terminate in 2015.

### c. Provision for early retirement following the closure of Energywatch and Postwatch

The provisions for early retirement reflect Consumer Futures'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.

### d. Other provisions

Other provisions consist primarily of the estimated dilapidations cost relating to a building lease which expires in August 2014.

e. Pension provision liabilities

	2013/14 £'000	2012/13 £'000
Balance at 1 April 2013	297	325
<b>Analysis of amount charged to the Statement of Comprehensive Net Expenditure</b>		
Past Service costs	0	0
Interest costs	12	15
<b>Benefits paid</b>		
Benefits paid	(22)	(24)
<b>Total amount charged to Statement of Comprehensive Net Expenditure</b>	<b>(10)</b>	<b>(9)</b>
<b>Analysis of the amount recognised in the Statement of Changes in Taxpayers' Equity</b>		
Experience (gain)/loss	0	0
Actuarial (gain) / loss	20	(19)
<b>Total amount recognised in the Statement of Changes in Taxpayers' Equity</b>	<b>20</b>	<b>(19)</b>
<b>Balance at 31 March 2014</b>	<b>307</b>	<b>297</b>

IAS19 clause 120A requires that the cumulative amount of actuarial gains and losses is disclosed. For periods since 1 April 2009 our records indicate that the actuarial gains and losses have been as follows:

Year to 31 March 2010	Actuarial loss of £34,000
Year to 31 March 2011	Actuarial gain of £45,000
Year to 31 March 2012	Actuarial loss of £ 5,000
Year to 31 March 2013	Actuarial gain of £19,000
Year to 31 March 2014	Actuarial loss of £20,000
<b>Total since 1 April 2009</b>	<b>Actuarial gain of £5,000</b>

The pension provision relates to EW'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 2014 and has been estimated to be £307k.

Liabilities are valued on an actuarial basis using the Projected Unit Method. The main actuarial assumptions are as follows:

	Year ending 31/03/14	Year ending 31/03/13
Discount rate	4.35% pa	4.10% pa
Rate of increase in salaries	4.50% pa	3.95% pa
Rate of increase in pensions in payment	2.50% pa	1.70% pa
CPI Inflation assumption	2.50% pa	1.70% pa

**Analysis of actuarial loss**

	2013/14 £'000	2012/13 £'000
Experience (gain)/losses arising on the scheme liabilities	9	(19)
Changes in assumptions underlying the present value of scheme liabilities	11	0
<b>Per Statement of Changes in Taxpayers' Equity</b>	<b>20</b>	<b>(19)</b>

**History of experience losses**

	Year ending 31/03/14	Year Ending 31/03/13	Year Ending 31/03/12
<b>Experience loss/(gain) arising on the scheme liabilities</b>			
Amount (£'000s)	9	(19)	0
Percentage of scheme liabilities at the end of the year	2.9%	-6.4%	0.0%

**Life expectancy at retirement**

Current Pensioners	As at 31 March 2013		As at 31 March 2014	
	Men (yrs)	Women (yrs)	Men (yrs)	Women (yrs)
Exact Age				
60	28.6	30.7	29.0	31.2
65	23.9	25.8	24.1	26.2

Future Pensioners*	As at 31 March 2013		As at 31 March 2014	
	Men (yrs)	Women (yrs)	Men (yrs)	Women (yrs)
Exact Age				
60	31.1	33.0	31.3	33.5
65	26.7	28.5	26.8	28.9

\* Illustrative life expectancies at ages 60 and 65 for future pensioners as at 31 March 2013, and 31 March 2014 are based upon members aged 40 at these dates

## 15 Related party transactions

Consumer Futures is a non departmental public body sponsored by the Department for Business, Innovation and Skills (BIS). BIS is regarded as a related party, as are other entities it sponsored. Grant-in-aid received in the year amounted to £7,443k (2012/13: £10,654k)

Consumer Futures also received income from the Scottish Government and Scottish Water Commission. (See Note 6 for details)

In addition, Consumer Futures has had dealings throughout the year with other Government Departments and other Central Government bodies, the amounts of which are not material.

None of the Board members or key management employees have undertaken any transactions with Consumer Futures, material or otherwise. Compensation paid to members of the Senior Management Team that were made redundant on 31st March is detailed within the Remuneration report.

## 16 Obligations under operating Leases

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

	As at 31 March 2014		As at 31 March 2013	
	Property £'000	Other £'000	Property £'000	Other £'000
Not later than one year	49	0	553	11
Later than one year and no later than five years	0	0	90	18
Later than five years	0	0	0	0
	<u>49</u>	<u>0</u>	<u>643</u>	<u>29</u>
	Property £'000	Other £'000		
Payments made during 2013/14	494	12		

The obligations under the property lease will transfer to BIS for settlement from April 14

## 17 Obligations under finance lease

There are no finance lease obligations

## **18 Capital commitments**

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

## **19 Losses and special payments**

No losses or special payments were made during the year which exceeded £250k, on an individual or cumulative basis

## **20 Financial Instruments**

Consumer Futures 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.

All assets and liabilities are denominated in sterling and at fair value, therefore, there is no exposure to currency risk.

There were no material differences between the book value and fair value of assets and liabilities at 31 March 2014

## **21 Contingent Liabilities**

There were no Contingent Liabilities at 31 March 2014

## **22 Events after the reporting period**

The Accounting Officer authorised these financial statements for issue on the date of certification, there were no events after the reporting period as defined by IAS 10.

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