



Department
for Transport

Passenger Focus

Triennial Review 2014/15

March 2015

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1. Executive summary

1.1 All Non-Departmental Public Bodies (NDPBs) are subject to a triennial review of their effectiveness and governance. This report covers the work of Passenger Focus, the main watchdog body currently representing most rail, tram and bus users in Great Britain, though there are other bodies undertaking some related activities. It is proposed, subject to legislation before Parliament, soon to expand its role to cover road users, which would be reflected in a change of name to Transport Focus.

1.2 Its main activities involve a mix of research - including large-scale surveys of passengers - and dealing with passengers' complaints and associated appeals. It is a relatively small body with a core budget of around £5 million, a Board of 10 and about 45 staff. The budget is some 40% lower than in 2010-11, following a major down-sizing of its activities and efficiency drive at that time. The budget and staffing are planned to increase by around £1.5m and 10 respectively as it takes on board the additional road user responsibilities. Despite that significantly extended role, the budget will still remain almost 20% below the 2010-11 level.

Stage 1 of the Review

1.3 Stage 1 of the Review involved consideration of the continuing need for Passenger Focus's activities. The only function which it would be imperative to retain is the appeals role in relation to rail complaints, which is mandated by European and domestic legislation. However its other work is highly valued, particularly the national travel surveys of transport users which provide valuable information to inform the development of policy and operational performance, and in the case of rail are now being embedded in contracts with new franchised operators to help drive up passenger satisfaction levels.

1.4 More generally, there appears to me a compelling case for retaining some form of independent body at national level to ensure passengers' interests are effectively represented, both to operators and to funders of services. This has now been the case for some 70 years in the case of rail. Indeed, with Government now taking steps to extend the principle of a watchdog to users of the strategic highway network, it would seem highly inconsistent to do away with the one for public transport users.

1.5 The scope already provided through Passenger Focus's present structure for sharing technical expertise and good practice, and cross-fertilisation of ideas, on its work across the transport modes should be enhanced by the extension of its activities into the highways sector. In addition, there should be administrative efficiencies by sharing overheads across a larger organisation rather than creating a new structure.

1.6 It was on that basis that the terms of reference for this review were deliberately scoped in terms of a "light touch" approach. Having considered at high level the potential for alternative organisational models, I concluded that the NDPB model is generally working effectively at present. There is also a concern that for a relatively small body with a limited budget, the transitional costs and disruption - including the

need for primary legislation – potentially involved in any fundamental structural change could be disproportionate to any potential benefits.

1.7 Nonetheless, with substantial change and expansion of scope imminent as Passenger Focus takes on the highways role, and given the expectation of significant budgetary constraint over the coming years, it is right that Passenger Focus is undertaking a review of its current structure and funding arrangements to ensure they remain fit for purpose.

Recommendations from Stage 1, with indicative timescales:

- **1 Passenger Focus should continue to engage with the other organisations in related roles to broaden passengers’ understanding of who does what, share good practice, and ensure where appropriate that work programmes are aligned. It would be particularly helpful for PF, in liaison with DfT and the other bodies concerned, to clarify the respective Passenger Focus/London TravelWatch roles in relation to London rail, and the Passenger Focus/Bus Users UK split of responsibilities for buses (next 12 months).**
- **2 Without having a remit to investigate other bodies such as London TravelWatch and Bus Users UK, it would be premature to make firm recommendations in this regard, but it would be worthwhile for Passenger Focus to explore the scope for efficiency benefits from closer working or even integration of its activities with those of these other organisations, for example complaints handling/backroom functions and sharing best practice: this need not preclude the continued separation of identity and management if desired (next 24 months).**
- **3 In the event of further major changes in the organisation of transport operations and/or the allocation of political responsibility for them, the Department for Transport should give careful consideration to managing the associated watchdog roles so as not further to complicate the picture for passengers, and ideally to make things simpler (ongoing).**
- **4 Passenger Focus should continue to explore, and to engage with the operator community on, the scope for and possible benefits from a more flexible, frequent and responsive approach to survey work to supplement – but not replace - the main national surveys, while continuing to examine ways to improve further the cost-efficiency of these surveys (ongoing).**
- **5 Passenger Focus should consider with the Rail Delivery Group whether there would be mutual benefit in building on existing links and establishing some more formal forum or fora for discussion of strategic issues and priorities around its work programme (next 3 months).**
- **6 The funding regime and scope for alternative sources of funding, and any structural and budgeting implications, should be kept under review**

as part of the change programme under way within Passenger Focus to ensure it is in good shape to take on the highways role (next 12 months).

- **7 DfT should consider with the devolved administrations whether it would be appropriate to consider the scope for reallocating responsibility for funding Passenger Focus to reflect the current devolution settlement for transport (next 12 months).**
- **8 For the time being, Passenger Focus should continue as an NDPB. However, the change programme review it has now initiated to ensure it remains fit for purpose as it takes on the highways role should include consideration of the potential case for and against structural change, whether within the NDPB framework or for example to some form of not-for-profit body or Government company. Passenger Focus would need to submit a business case for any such changes to the Department as soon as reasonably practicable (next 12 months).**

Stage 2 of the Review

1.8 Overall, I found that Passenger Focus is managed to a high standard with well-structured and effective governance systems in place. There is an extremely high level of compliance with Cabinet Office guidelines, with no substantive issues of concern. The only points emerging related to minor administrative issues such as delays in publication or lack of visibility of information on the Passenger Focus website. Within the Department I found that the sponsorship role is generally undertaken very effectively, though there are also one or two issues for the Department including the need to ensure greater visibility of the activities of Passenger Focus and other NDPBs at DfT Board level.

1.9 While I did not consider in detail Passenger Focus's prospective future role in relation to highways, the organisation appears to be in good shape to take this on, with well-established structures and procedures, and led by an effective and well-engaged Board. Clearly it will be important to ensure that the new highways team is similarly well-structured and properly resourced, and work to prepare for this is well under way.

Recommendations from Stage 2, with indicative timescales:

- **9 While Passenger Focus takes a pro-active approach to transparency, for example through holding Board meetings in public and publishing all papers and research, some of this material can be very hard to track down on its website; Passenger Focus take steps to improve its navigability (next 6 months).**
- **10 The Management Framework between DfT and Passenger Focus is a key document and sets out a comprehensive governance framework, but is not traceable on the DfT website, and should be (next 3 months).**

- **11 DfT should take steps to implement a reporting process to ensure greater visibility and scrutiny at its Board of the work of Passenger Focus, in line with Cabinet Office guidelines (next 3 months).**

2. Introduction

Context - the Triennial Review process

2.1 Francis Maude, Minister for the Cabinet Office, announced in October 2010 the launch of a rolling programme under which all Non-Departmental Public Bodies (NDPBs) would be subject to review every three years in order to ensure that they are both still serving a useful purpose, and that where they are, they are being managed efficiently and effectively in line with modern principles of governance. This followed an initial review of all such bodies – the Public Bodies Review - by the then incoming Coalition Government during 2010, which led to the Public Bodies Act 2011 which included extensive powers to abolish, merge or modify these.

2.2 Accordingly, the Department for Transport, as sponsor of the Passengers' Council (note: that is the organisation's statutory title - "Passenger Focus" is the operating name it uses in public, and for convenience the name generally used throughout this report, except where the sense requires otherwise), has agreed with the Cabinet Office to carry out the first triennial review of the organisation. This decision was announced by way of a Written Ministerial Statement on 25 March 2014 – see [Annex A](#). The review was carried out by Andrew Murray, a senior civil servant in the Department for Transport independent from the Departmental sponsorship team. This Review was carried out at no cost to the DfT apart from travel and subsistence costs totalling less than £100.

Passenger Focus – history and growing scope of its responsibilities

2.3 The creation of a statutory representative body for transport users dates back to the 1947 Transport Act which, alongside the establishment of British Railways, set up the Central Transport Consultative Committee (CTCC) and a network of regional Transport Users' Consultative Committees as passenger representative bodies. The Transport Act 1962 replaced these with new bodies of the same names, with extended powers. Those powers were extended again in 1968.

2.4 The Railways Act 1993, which provided for the privatisation of the railway, abolished the 1962 structure and replaced it with the Rail Users' Consultative Committee (RUCC) network comprising the Central Rail Users' Consultative Committee (CRUCC), as the national coordinating body, and eight regional committees. The CRUCC and RUCCs were renamed the Rail Passengers' Council and Rail Passengers' Committees by the Transport Act 2000.

2.5 In turn, the Railways Act 2005 abolished the Rail Passengers' Council and regional committees, replacing them with a new Rail Passengers' Council as a single Great Britain-wide organisation aimed to provide a more independent and focused rail passenger body that would offer better value for money and achieve higher levels of passenger awareness. In 2006 Passenger Focus became the operating name of that organisation.

2.6 The Local Transport Act 2008 amended the Railways Act 2005 to allow the organisation's remit to be extended through secondary legislation. Following the Passengers' Council (Non-Railway Functions) Order 2010, the Rail Passengers'

Council was renamed the Passengers' Council, and thereafter has represented rail passengers in England, Scotland and Wales, bus and tram passengers in England (outside London) and passengers on scheduled domestic coach services in England.

2.7 Under provisions of the Infrastructure Bill now before Parliament, it is proposed to create a statutory highway company to take on responsibility for the strategic highway network in England, and to create a new watchdog role responsible for gathering the views of road users and using them to help shape policy and decision-making. It is envisaged that this role would be carried out by a restructured and renamed Passenger Focus. Subject to the passage of that legislation, Passenger Focus would become 'Transport Focus', incorporating a dedicated team 'Transport Focus – Road Users' responsible for the new highways functions, alongside its existing activities which would then be branded 'Transport Focus – Passengers'.

2.8 This review is primarily addressed to the existing functions and responsibilities of Passenger Focus, but where significant issues have been identified over the proposed extension to cover road users I have sought to capture these as well.

Passenger Focus – activities and budget

2.9 Central to Passenger Focus's work are the national surveys of rail and bus passengers, and (from 2014) tram passengers, aimed to evaluate and to track trends in passengers' views on a wide range of issues around the services they use. These, with other more targeted research, are used to understand the needs of passengers and to help promote the case for improvements in the services they use. The results of the rail surveys are also taking on a more important and contractual role within the Department for Transport's franchise agreements with train operators as a key indicator of their performance.

2.10 Passenger Focus also has an important statutory role under the EU Passenger Rights Directive and domestic legislation in relation to handling appeals from rail passengers about the poor handling of complaints by operators. Currently around 3,000 cases a year are dealt with – see table below. It also handles general enquiries from passengers – some 25,000 a year - on a wide range of issues.

Number of rail appeal cases handled									
Year	2005-06#	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Cases	1580	2340	2493	3123	2436	2333	3069	3402	2987

Part year only

2.11 The work of Passenger Focus also involves interfaces with other bodies which have associated roles in different parts of the country. In particular, London TravelWatch (LTW) represents the interests of all public transport users in London, while Bus Users UK (BUUK) deals with complaints from bus users in Great Britain outside London. Regulation of transport operators' statutory obligations around complaints handling is a matter for the Office of Rail Regulation for the rail sector, and

the Traffic Commissioners for buses and coaches. There are also more specialised bodies representing particular groups, such as the Disabled Persons Transport Advisory Committee (DPTAC).

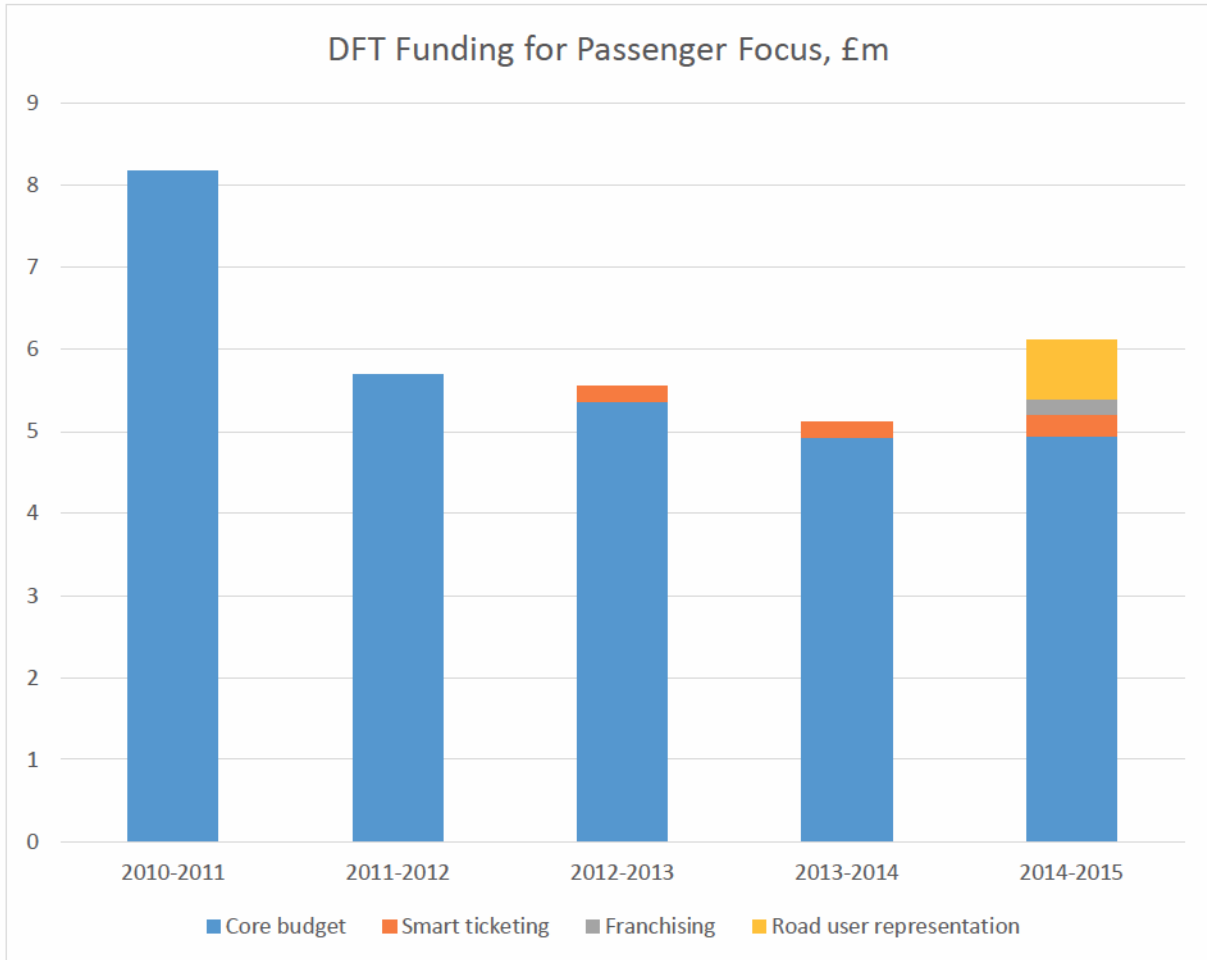
2.12 The work of Passenger Focus is managed by a Board of 10 members: a chair and six members appointed by the Secretary of State for Transport; and one member appointed by each of the Greater London Assembly, and the Scottish and Welsh Governments. The current Board membership and an outline of the structure of the executive operation are shown at [Annex B](#). It currently employs around 45 staff, mostly based at offices in London and Manchester. It is sponsored and substantially funded by the Department for Transport. The governance framework between the Department and Passenger Focus is set out in a Management Statement.

2.13 Passenger Focus's total core budget for 2014-15 is some £5.0m, which includes £2.5m on pay, £1.1m on national rail and bus surveys and £0.4m on research. In addition, it is managing a further £1.2m of expenditure on projects on behalf of the Department for Transport (relating to smart ticketing research, work in support of the franchising programme, and preparation for the new highways role) and additional funding streams from other stakeholders such as local authorities and bus operators.

DfT funding for Passenger Focus, £m					
	2010-11	2011-12	2012-13	2013-14	2014-15
Core budget	8.18	5.70*	5.36	4.93	4.95
Smart ticketing			0.20	0.18	0.25
Franchising					0.19
Highways					0.73**
Total	8.18	5.70	5.56	5.11	6.12

*Included £1.0m transitional funding to support costs of down-sizing

** Estimated transitional funding



2.14 Plans for implementing the proposed extension of its remit to cover road users are still at a relatively early stage, and subject to the implementation of the necessary legislation, but it is envisaged that the Board would be expanded by one to include a dedicated non-executive director with specific highways expertise, and that a separate ‘Transport Focus – Road Users’ team of around 10 people would be established, reporting to the Transport Focus Chief Executive, to undertake roads-specific activities including setting up a regular survey of road users. The budget for this work is currently estimated to be around £1.5m a year.

Focus and terms of reference of this review

2.15 Triennial reviews normally have two stages – stage 1 being an examination of the need for the functions of the body under review to be retained, and if so whether there are better ways of delivering those functions; and - if it is agreed the body should be retained - stage 2 is then a detailed appraisal of its control and governance arrangements.

2.16 As this review was launched in 2013-14, it was carried out under the Cabinet Office’s 2011 guidance for such reviews. That guidance, unlike the more recent iteration, did not require a detailed consideration of cost and efficiency to be included in the review, though some observations have been included where these arose as part of the study.

2.17 The 2010-11 Public Bodies Review of NDPBs mentioned earlier involved an intensive and critical scrutiny of Passenger Focus's then role and activities. At that time, the body had an annual budget of £8.7m, and it employed some 63 staff. The conclusion of that review was that it was necessary to retain an independent body at arm's length from Government in order to undertake the statutory appeals function for rail passengers. It was also felt important to retain a watchdog-type body which could be seen to look after the wider interests of passengers. Accordingly, the outcome of the review was a decision to retain Passenger Focus as an NDPB, but to implement substantial reforms aimed to deliver substantial economies and a tighter concentration on the core passenger protection role.

2.18 More recently, as a corollary to the plan to create a new regime and structure for managing the strategic highway network, the Government has concluded that it would be desirable to put in place a stronger mechanism to look after the interests of road users, on the lines of that which Passenger Focus provides for public transport users. As indicated above, it has been decided to create a new Transport Focus – Road Users team within the rebranded Transport Focus umbrella.

2.19 On the basis of Ministers' clear decision in 2010-11 on the case for retaining Passenger Focus, the substantial savings and down-sizing achieved thereafter, and the more recent decision to extend the body's remit to cover road users, it has been agreed that stage 1 of this review should be approached with a lighter touch than usual, and carried out concurrently with stage 2. The full terms of reference for this review are set out at [Annex C](#).

3. Stage 1 of the Review

A) Continuing need for Passenger Focus's functions

3.1 The core function of Passenger Focus is to act as the independent watchdog to represent the interests of users of:

- Rail services in Great Britain
- Bus and tram users in England, outside London
- Domestic scheduled coach services in England

Passenger Focus has a specific statutory function of dealing with representations from rail passengers, including appeals from passengers dissatisfied with the way their complaints have been dealt with by the operator concerned.

3.2 Subject to the outcome of Parliament's consideration of the Infrastructure Bill, a new team – Transport Focus – Road Users - would be established within the rebranded Passenger Focus organisation, to represent the views of users of the strategic highways network, and road users generally, within England.

3.3 The only Passenger Focus function which it would currently be imperative to retain is the appeals role in relation to rail complaints which is obligated by European legislation.

3.4 Other Passenger Focus functions, such as the train and bus surveys and wider research and advocacy work, are not statutory obligations and so could – in principle - be dropped. However, that would mean that for the first time in almost 70 years there would be no established body with the responsibility to look after passengers' interests. This would seem a retrograde step which would go against the thrust of current Government policy to ensure that public transport services are more closely geared towards what passengers want, not what the supplier chooses to provide.

3.5 Indeed, given that the Department for Transport has taken steps to engage more closely with Passenger Focus in the specification of future franchises and the evaluation of franchise bids, and to hardwire the rail National Rail Passenger Survey results into the framework for managing these, dropping that aspect of Passenger Focus's work would also create some difficulties contractually unless some other body was tasked with continuing at least those surveys. The prospective additional role for Passenger Focus as the Alternative Disputes Resolution (ADR) body for rail outside London would also have to be reviewed.

3.6 Discussions with stakeholders generated a significant range of comments, but while identifying a number of particular concerns - discussed further below - indicated that Passenger Focus is well-regarded in most respects. The need for some form of independent watchdog to represent passenger interests was not seriously challenged.

Who does what

3.7 One of the most pervasive issues arose from the fact that Passenger Focus is not the only organisation operating in the general area of consumer interests for travellers in Britain. Successive evolutions of policy towards the structure and organisation of

transport industries and the devolution of political responsibility for parts of them have led to consequential changes in the role and scope of Passenger Focus and other passenger-related bodies, with the end result being a complex landscape that perhaps would have been unlikely to have been created from a clean sheet.

3.8 Thus, for example, Passenger Focus represents rail users across Great Britain – but rail users in London are also represented by London TravelWatch. Passenger Focus represents bus users in England outside London, while bus users in London, Scotland and Wales are represented by other bodies. Unlike rail, a separate body - Bus Users UK (BUUK) - deals with complaints from bus users in Great Britain (outside London). There are also more specialised bodies such as the DfT's Disabled Persons Transport Advisory Committee (DPTAC) – which itself will be the subject of a separate Triennial Review in due course. It is therefore important that there is good liaison and information sharing between these bodies, given their overlapping or parallel interests. This is already happening in some areas, but there may still be room for improvement, for example in ensuring that their respective research and other workstreams are complementary rather than duplicating each other.

3.9 More widely, there is scope for read-across between the work of these transport-related organisations and those such as Citizen's Advice with a more general consumer protection role, to ensure that best practice in other sectors, such as retail, can be picked up and adopted where this makes sense.

3.10 There is also a linkage to and potential overlap with the enforcement roles undertaken by the Office of Rail Regulation (ORR) and Traffic Commissioners to ensure that train and bus operators respectively comply with their legal and regulatory obligations in terms of consumer protection.

3.11 On balance, however, given the importance of the passenger watchdog role being seen to be independent, it seems better to keep separate the statutory regulatory and enforcement role concerning delivery of statutory obligations and funders' requirements from the function of representing passengers' interests, as it might not appear to be credible for ORR both to have the enforcement role against operators and to act as an independent champion of passengers' interests. Given the ORR's high-profile primary licensing and regulatory functions in relation to rail operators (and prospectively also highway operators) there could be concerns over its capacity to act as a champion of passengers/users.

3.12 This separation is also in line with the statutory structure being put in place for separate watchdog and monitor roles for the new strategic highway company. There are also potential concerns about diluting the focus on the watchdog role if the responsible organisation has other major responsibilities.

3.13 Notwithstanding the relatively complex structures around the organisation of the transport sectors and the associated watchdog functions, none of the above issues presents a fundamental problem, and there appears no prima facie case which would justify the cost and disruption of radical change in the present structures. In particular, it would be likely to be counter-productive to contemplate restructuring the watchdog functions in a way that in isolation looked simpler, but that was not reflective of the

organisation of the industry and the political framework of accountability within which it operates. However it does make for a potentially confusing position, especially for passengers and external organisations.

Recommendations:

- **1 Passenger Focus should continue to engage with the other organisations in related roles would be desirable to broaden passengers' understanding of who does what, share good practice, and ensure where appropriate that work programmes are aligned. It would be particularly helpful for PF, in liaison with DfT and the other bodies concerned, to clarify the respective PF/LTW roles in relation to London rail, and the PF/BUUK split of responsibilities for buses (next 12 months).**
- **2 Without having a remit to investigate other bodies such as London TravelWatch and Bus Users UK, it would be premature to make firm recommendations in this regard, but it may be worthwhile for Passenger Focus to explore the scope for efficiency benefits from closer working or even integration of its activities with those of these other organisations, for example complaints handling/backroom functions and sharing best practice: this need not preclude the continued separation of identity and management if desired (next 24 months).**
- **3 In the event of further major changes in the organisation of transport operations and/or the allocation of political responsibility for them, the Department for Transport should give careful consideration to managing the associated watchdog roles so as not further to complicate the picture for passengers, and ideally to make things simpler (ongoing).**

National travel surveys

3.14 The national rail and bus passenger surveys are highly regarded and valued as an independent source of evidence on passengers' views, and trends over time. Their continued operation and development was strongly supported. It was, however, suggested that – not least because of the importance of maintaining robust time series, especially for rail data treated as national statistics, and the need for continuity in the data increasingly being relied on within franchise agreements – these were somewhat inflexible and unresponsive to change and short-term issues. The surveys are also rather lengthy, which could put off some passengers from responding, although the overall response rate of around 30% is high compared to the typical response to commercial surveys.

3.15 It was therefore suggested by a number of people who spoke to me that there might be scope, funding permitting, to supplement the main national surveys with smaller, more frequent and ad hoc survey work designed to take the pulse of passengers' top level concerns or to address more specific issues. Passenger Focus are already looking at such possibilities, alongside the scope for increasing the potential for collecting data on-line rather than through paper surveys. Looking ahead, the technology is becoming available to provide scope for tapping into passengers' feelings in real time through social media.

3.16 The cost to the Department of the surveys is just over £1 million, which equates to around £10 per respondent. However they generate a great deal of information to inform policy and operational delivery, particularly in relation to managing and specifying rail franchises. Moreover, the cost has been reduced by some £200,000 over the last 10 years.

Recommendation:

- **4 Passenger Focus should continue to explore, and to engage with the operator community on, the scope for and possible benefits from a more flexible, frequent and responsive approach to survey work to supplement – but not replace - the main national surveys, while continuing to examine ways to improve further the cost-efficiency of these surveys (ongoing).**

Relationship with transport operators

3.17 It is clearly vital that Passenger Focus continues to be seen as independent of the operators whose services it oversees in order to maintain its credibility as an effective watchdog. On the other hand, there are many areas where it and operators have a legitimate shared interest, perhaps most simply put as ensuring passengers get the services they want, and that their concerns are properly addressed.

3.18 There is already a good deal of engagement between operators, their representative bodies and Passenger Focus in the course of business, but my discussions suggested there may be a bit of a gap in relation to the strategic relationship with the rail sector. It may be worth Passenger Focus considering with the industry whether there would be value in and appetite for the creation of some sort of forum where the overall direction of its work programme, both in relation to development of the surveys, and other research work, could be discussed. This approach might potentially be extended to a wider group of stakeholders, notably the business community.

3.19 There is also a shared interest in relation to getting the most value from passenger surveys. It seems to me reasonable that where, for example, an operator wishes to add extra questions or a fuller sample size to supplement Passenger Focus's regular survey work, the operator should be able to fund it to deliver that, provided Passenger Focus is satisfied that this will not distort or prejudice the overall outcome of the core survey. Indeed a number of bus and train operators already do this.

3.20 Concerns were raised with me over what had been perceived externally as secondment of a member of staff from a train operator to Passenger Focus to undertake a piece of work relating to that operator. However, the person concerned was directly employed by Passenger Focus, so there was not a conflict of interest. To guard against such concerns Passenger Focus already has a code of principles aimed to assure good governance in relation to new work it is taking on.

Recommendation:

- **5 Passenger Focus should consider with RDG whether there would be mutual benefit in building on existing links and establishing some more formal forum or fora for discussion of strategic issues and priorities around its work programme (next 3 months).**

Funding

3.21 The present arrangements involve a mix of DfT core funding, top-up funding from DfT for specific projects, and external funding from operators and local authorities. This generally works satisfactorily, though with some compromises. While it would be desirable from some points of view for Passenger Focus to secure more funding from operators and other bodies, there could be a point where the tail starts to wag the dog, with the risk of creating the perception that it is becoming too heavily accountable to the transport operators and hence unable to represent passengers' concerns robustly. While the commercial work could in principle be hived off to a separate body, that would put at risk the potential benefits from the synergies between the two, such as the example quoted above of expanding the national survey to cover specific local issues. It might also be difficult to ensure that the risks associated with the activities of such a separate body were not ultimately borne by the public sector.

3.22 It is also important to note that in the case of franchised rail operators, transferring responsibility for funding from the Department to them would not benefit the public purse since it would have the effect of reducing franchise value.

3.23 There is a substantial concern within Passenger Focus that the present grant-in-aid funding regime provides no incentive to bring in external funding, since – while it is clearly right that the taxpayer should not pay for work being externally funded – it offers no benefit to Passenger Focus. A further issue is that although most of the present and future extended work of Passenger Focus representing transport users supports programme delivery for the Department, grant-in-aid funding is currently paid from the Department's administration budgets.

3.24 One alternative model might be to move to a system of funding based on a levy on passengers. However, this would mean a (very small) additional burden on passengers and would require legislation. Particularly in the area of deregulated bus services, this might not be straightforward to implement. And of course such a model would not be well-suited to Passenger Focus's anticipated role in relation to highways in the absence of a charging regime.

3.25 While I have not put forward any specific proposal for immediate change in the funding regime, the prospect of sustained and substantial pressure on public funds, particularly administrative spending, means that it will be particularly important to keep under review the scope for additional funding streams, and any consequential structural implications. This is something which Passenger Focus has rightly identified as a priority issue as part of a change programme review of its current structure to ensure that it remains fit for purpose as it plans to take on board the highways role.

3.26 Another more detailed issue concerns the scope of DfT funding for Passenger Focus's rail activities. As discussed above, there appears to be benefit in retaining a GB-wide body which is able to monitor passengers' views across the whole network, not least so as to be able to compare different operators' performance on a consistent basis, and for reasons of economies of scale. However, given that responsibility for passenger services within Scotland is a devolved matter for the Scottish Government, and for services within Wales is partly devolved to the Welsh Government, it is arguable that they should assume responsibility for the relevant proportion of costs.

Recommendations:

- **6 The funding regime and scope for alternative sources of funding, and any structural and budgeting implications, should be kept under review as part of the change programme under way within Passenger Focus to ensure it is in good shape to take on the highways role (next 12 months).**
- **7 DfT should consider with the devolved administrations whether it would be appropriate to consider the scope for reallocating responsibility for funding Passenger Focus to reflect the current devolution settlement for transport (next 12 months).**

Highways role

3.27 As indicated above, the Infrastructure Bill now before Parliament would create a strategic highways company (SHC) which would assume responsibility for the functions currently carried out by the Highways Agency in relation to the strategic highway network in England. In October 2014 the Department for Transport published the document *'Transparency for Roads: creating the watchdog and monitor'* which sets out how the Government intends to create statutory watchdog and monitor roles to scrutinise the SHC.

3.28 The monitor role concerning the performance and efficiency of the SHC would be carried out by the Strategic Road Network Monitor, a new semi-autonomous unit within the Office of Rail Regulation.

3.29 The watchdog role, responsible for gathering the views of users of the strategic highways network and using these to help shape policy and decision-making, would be carried out by Transport Focus – a restructured and renamed Passenger Focus, incorporating a dedicated unit – Transport Focus – Road Users – to take on the roads role. This role is likely to involve activities such as:

- researching the views of all types of road users, in particular measuring the satisfaction of users of the strategic road network;
- investigating issues of concern to road users;
- promoting change across the road sector; and
- advising Government on future road investment strategy.

3.30 A stakeholder advisory board would be established to enable the wider roads stakeholder community, such as motorists' and freight operators' organisations, to inform the work and direction of Transport Focus - Road Users. Passenger Focus has

already appointed two temporary part-time advisers to its Board to help it prepare for its new expanded role.

B) Organisation and delivery options

3.31 On the basis that there appears to me a compelling argument for retaining the functions undertaken by Passenger Focus, preferably but not necessarily en bloc, and that outright abolition is therefore not a realistic proposition, it is then necessary as part of this review to consider whether it would be appropriate for it to continue as an NDPB alongside alternative delivery options.

Continue as NDPB

3.32 Where retention of an NDPB is being contemplated following a Triennial Review, the review process requires its activities to be assessed against the following three tests of whether its functions need to be carried out at arm's length from the parent Department:

- Does the NDPB undertake technical functions needing external expertise?
- Does the NDPB need to be politically impartial?
- Does the NDPB need to act independently to establish facts and figures with integrity?

3.33 The key issues for PF are the need for independence and impartiality. Its role and indeed value is to ensure passengers have a recognised independent and influential voice at a national level, and to act as an impartial and independent body in handling complaints and appeals. While the EU legislation does not prescribe in detail how independence is to be measured, it is likely that transfer to, for example, a Government Department or to a body controlled by the transport industry would not be regarded as sufficiently independent or impartial. On the other hand, none of the technical aspects of PF's work would necessitate NDPB status.

Alternative options

3.34 In theory, other potential options could include:

- Transfer to local government
- Add (or replace by) regional structure
- Transfer to voluntary sector
- Transfer to private sector
- Bring in-house into central DfT
- Create new Executive Agency
- Create not-for-profit trading body
- Create Government Company or Shareholder Executive
- Retain NDPB only for functions for which this is essential, hive off rest to another body
- Merge with another body

3.35 As this part of the review is “light touch”, the alternative options have not been explored in great detail or costed, but the key arguments for and against each of the alternatives listed above are summarised in Annex D below. It is also worth emphasising as a general observation that any fundamental change would appear to require primary legislation to amend the Transport Act 2005 (as amended). This would take some time (depending on the availability of Parliamentary time) and involve some transitional costs.

3.36 Of the various options, some are fairly clearly non-runners, either for reasons of cost and duplication of effort (the local and to a lesser extent regional models), inability to ensure sustainability (voluntary and private sector models), or lack of independence and impartiality (merging into DfT or Executive Agency). The de-merger option (keeping the NDPB only for the statutory complaints/appeals function) would minimise the size and cost of the NDPB but at the cost of duplication and potential loss of read-across from complaints to the research and representation roles.

3.37 The other models involving transformation into a not-for-profit trading body or some form of Government company could potentially have advantages in terms of increasing the separation between Government and Passenger Focus, without completely losing the ability of Government to ensure continued direction of its work and to have confidence in the delivery of its outcomes.

3.38 However it would be important to ensure that any such changes were proportionate in terms of implementation impact, given the limited scope for savings or other benefits within a small body with a budget of less than £10m a year and employing no more than around 50 staff. At a time when there is already a major challenge to Passenger Focus and its management team in taking on board a substantial new role in relation to road users, I do not believe it would be appropriate to put that at risk by seeking to impose a further major structural change for its own sake.

3.39 That said, it is clearly right to take a close look at whether the current structures will remain fit for purpose and aligned with the public sector reform agenda once Passenger Focus takes on the prospective highways role. As noted above the organisation has already set in hand a change review programme to look at the structural and funding issues around its expanded role.

Recommendation

- **8 For the time being, Passenger Focus should continue as an NDPB. However, the change programme review it has now initiated to ensure it remains fit for purpose as it takes on the highways role should include consideration of the potential case for and against structural change, whether within the NDPB framework or for example to some form of not-for-profit body or Government company. Passenger Focus would need to submit a business case for any such changes to the Department as soon as reasonably practicable (next 12 months).**

4. Stage 2 of the Review

4.1 Having concluded in Stage 1 of the review that retention of Passenger Focus as an NDPB remains the right approach for the immediately foreseeable future, Stage 2 of the review involved consideration of the control and governance arrangements in place with the aim of ensuring that the public body is complying with recognised principles of good corporate governance.

4.2 This work involved an assessment of a number of issues specified within the framework for triennial reviews within the following general areas:

- statutory accountability
- accountability for public money
- Ministerial accountability
- role of the sponsoring Department
- role of the Board
- role of the Chair
- role of non-executive Board members
- communications
- conduct and behaviour
- effective financial management

4.3 [Annex E](#) provides a point-by-point commentary against all the specified criteria. Overall, I found an extremely high level of compliance both within Passenger Focus and in relation to the DfT sponsorship role, with no substantive issues of concern. The main points emerging related to minor administrative issues such as delays in publication or lack of visibility of information on the Passenger Focus and DfT websites. There are also two issues for the Department, including in particular the need to ensure greater visibility of the activities of Passenger Focus and other NDPBs at DfT Board level (the other being publication of the Management Framework on the DfT website). Work is under way within DfT to develop and implement a better reporting process to ensure the Board is aware of the NDPBs' activities.

4.4 While I did not consider in detail Passenger Focus's prospective future role in relation to highways, the organisation appears to be in good shape to take this on, with well-established structures and procedures, and led by an effective and well-engaged Board.

4.5 Clearly it will be important to ensure that the new highways team is similarly well-structured and properly resourced, and work to prepare for this is well under way, with two part-time advisers with extensive experience in the motoring and freight sectors having been appointed in October 2014 to support the Board through the transition.

Recommendations

- **9 While Passenger Focus takes a pro-active approach to transparency, for example through holding Board meetings in public and publishing all papers and research, some of this material can be very hard to track down**

on its website; Passenger Focus should take steps to improve its navigability (next 6 months).

- 10 The Management Framework between DfT and Passenger Focus is a key document and sets out a comprehensive governance framework, but is not traceable on the DfT website, and should be (next 3 months).
- 11 DfT should take steps to implement a reporting process to ensure greater visibility and scrutiny at its Board of the work of Passenger Focus, in line with Cabinet Office guidelines (next 3 months).

Annexes

- A Ministerial announcement, 25 March 2014
- B Passenger Focus – Board membership and organisational structure
- C Terms of reference
- D Outline commentary on possible alternative structures
- E Assessment of governance against review criteria
- F External organisations consulted
- G List of acronyms

Annex A

Extract from House of Lords Hansard

25 Mar 2014: Columns WS33-34

Passenger Focus: Triennial Review

Statement

The Minister of State, Department for Transport (Baroness Kramer) (LD): We will shortly be commencing a triennial review of Passenger Focus (PF). PF is the independent non-departmental public body (NDPB) set up to represent the interests of rail passengers in England, Scotland and Wales, bus and tram passengers in England (outside of London) and passengers on scheduled domestic coach services in England.

Triennial reviews are part of the Government's commitment to ensuring that NDPBs continue to have regular independent challenge, including to their objectives and governance. A triennial review normally has two aims:

(i) to provide a robust challenge of the continuing need for the NDPB; and (ii) where it is agreed that it should remain as an NDPB, to review the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance.

However, following the Public Bodies Review, PF completed a significant restructure in 2011 and now has a key role in relation to future transport policy, including increasing the passenger voice in future rail franchises. As a result, it has therefore been decided that this review will focus its attention on the second stage.

The report of the review will be placed in the Libraries of both Houses when it is completed.

Annex B

Passenger Focus

Board Membership as at January 2015

Secretary of State for Transport Appointments

Name	First term		Second term		Third term	
	Start	End	Start	End	Start	End
Colin Foxall (Chair+)	23 Sep 05	22 Sep 09	22 Sep 09	23 Sep 13	24 Sep 13	6 Feb 15
Bob Linnard	1 Feb 13	31 Jan 17				
Marian Lauder	1 Feb 13	31 Jan 17				
Paul Rowen	1 Mar 13	28 Feb 17				
Isabel Liu	1 Mar 13	28 Feb 17				
Paul Salveson	1 Apr 13	31 Mar 17				
Stuart Burgess	1 Apr 13	31 Mar 17				

+ Jeff Halliwell has been appointed as successor Chair for the period 9 Feb 2015 to 8 Feb 2019.

Other Appointments

Name	First term		Second term	
	Start	End	Start	End
Diane McCrea *	1 May 13	30 Apr 17		
Stephen Locke **	9 Jan 13	8 Jan 17		
Philip Mendelsohn ***	1 Sep 12	31 Aug 16		

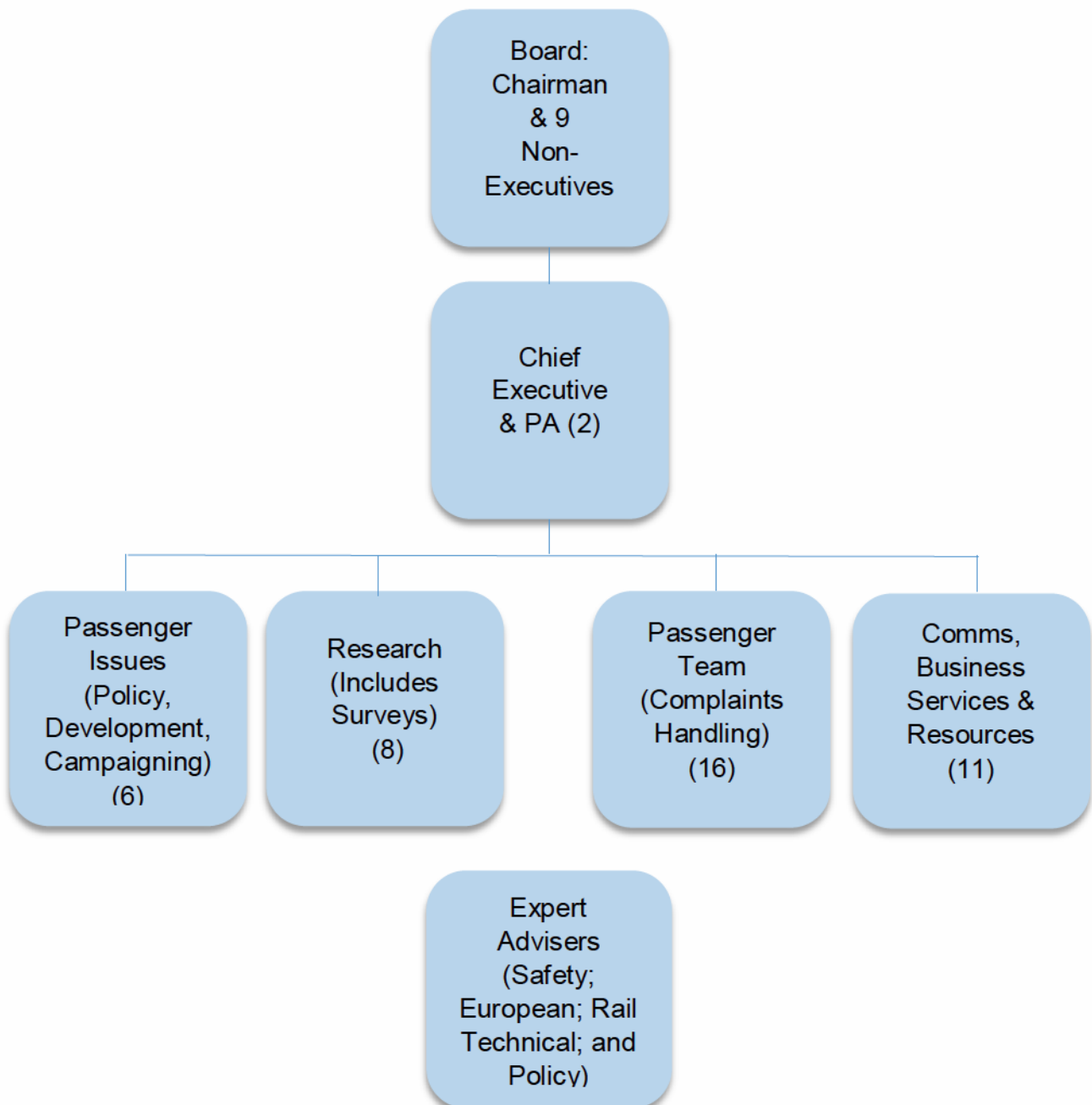
* Appointed by the National Assembly for Wales

** Appointed by the London Assembly

*** Appointed by Scottish Ministers

Passenger Focus – Outline Organisational Structure

This simplified diagram shows the main building blocks within PF, including (in brackets) the number of staff in each block (as at March 2014)



Annex C

Triennial Review of Passenger Focus

Terms of Reference

All non-departmental public bodies (NDPBs) are required by Cabinet Office to be reviewed on a periodic basis, currently a three yearly cycle. This triennial review (the review) will be a review of Passenger Focus, the operating name for the Passengers' Council.

Passenger Focus is the independent NDPB set up to represent the interests of rail passengers in England, Scotland and Wales, bus and tram passengers in England (outside of London) and passengers on scheduled domestic coach services in England. Government is currently considering giving it a further role in representing the interests of users of the strategic road network.

A triennial review has two principal and sequential aims:

Stage 1: to provide a robust challenge of the continuing need for the NDPB – both their functions and their form; and

Stage 2: where it is agreed that a particular body should remain as an NDPB, to review the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance.

Passenger Focus underwent a significant restructure in 2011 and now has a key role in relation to future transport policy including increasing the passenger voice in future rail franchises. Government is also exploring the potential for expanding its remit to cover users of the strategic road network, in preference to the establishment of a new, bespoke public body. As a result, the review will focus its attention on the second stage with a lighter touch focus on the first stage.

Annex D

OUTLINE COMMENTARY ON POSSIBLE ALTERNATIVE STRUCTURES

Local government

Comment: Within England, the most likely model would be to devolve to county/unitary level, and then for the Scottish and Welsh Governments to consider how to deal with these functions in their respective areas.

For: Would align with the devolution and localism agenda, and provide more accountability at local level. Could be presented as aligning with the logic for having a separate London TravelWatch.

Against: Given the extensive geographical spread of many transport operators' services and networks, which do not normally reflect local authority boundaries, this would not appear to be an efficient or effective way of managing activities such as national or operator-level research or surveys, or input to franchise specification. Complaints could be handled locally, although it would be more difficult to ensure a consistent approach. This would also involve a good deal of duplication of costs and activities across many local authorities, which are unlikely to be well-resourced to undertake them. Elimination of a single body at national level to act as a champion of passenger interests would be likely to make it much harder to raise awareness of issues of nation-wide concern.

Regional options

Comment: A regional structure was a feature of the rail watchdog function until the regional bodies were abolished in 2005.

For: Would in principle provide a more devolved level of representation, closer to passengers and better reflecting different views and issues around the country.

Against: The previous regional structure was found to be costly and difficult to resource adequately, and there is no reason to think that position will now have changed. In order to maintain an effective degree of influence at national level, to deal with cross-regional services and to ensure a consistent approach it would be necessary to retain an over-arching national body, as in the pre-2005 structure. Overall, this would be a significantly more costly model.

Voluntary sector

Comment: There is a wide range of potential models within this sector, including mutuals, not-for-profit companies and charities, although it might be hard to envisage charitable status being appropriate here. Indeed, there is the potential precedent of Bus Users UK which as a not-for-profit organisation already has a statutory role as the Nominated Body to oversee bus service complaint handling under the EU Passenger Rights Directive (which was extended to cover bus and coach passengers in March 2013).

For: Would take the functions outside the constraints of the public sector, potentially opening up more scope for innovation in how they are undertaken, and possibly for development of those functions to include more activities on a commercial, self-financing basis.

Against: Possible concerns over whether a voluntary body would be able to deliver the appeals function sustainably and in compliance with the requirements of EU legislation; if it took a more commercial approach this could prejudice, or appear to prejudice, the independence and impartiality of the organisation. Similarly there could be concerns over the continuity of PF's national surveys and other work.

Private sector

Comment: This could involve establishment of a new private sector entity (or conversion of the existing organisation) or takeover by an existing one. In practice the greatest appetite to take over such a role might come from within the transport or associated sectors, for example one of the sectoral representative bodies or a major consultancy, or perhaps from a commercial market research organisation.

For: Broadly as for voluntary sector, but with stronger incentives to commercialise functions and – depending on the private sector entity - greater potential for economies of scale through tying in with other related activities. Absorption into an existing body would offer administrative economies of scale.

Against: Broadly as for voluntary sector but correspondingly greater risk over loss of independence and impartiality, especially if absorbed into a body with existing transport or consumer interests. Such options could be vulnerable to challenge as non-compliant with the EU legislation.

Bring in-house as part of DfT

Comment: This would involve establishment of a team within the Department, possibly supported by some form of external advisory panel to provide independent expertise.

For: Possible administrative economies of scale as part of DfT. There would, for example, appear to be no need for separate corporate/business support functions or a formal Board structure.

Against: Even if steps were taken to create “Chinese walls” to separate functions from DfT policy teams, and to secure external advice, this is unlikely to be seen as a credible independent body to deal with complaints or represent passengers' interests, and also hence vulnerable to challenge. Some additional costs and complications expected given the need to harmonise pay and conditions.

DfT Executive Agency

Comment: This could be seen as a half-way step towards the in-house DfT option, with the new body retaining a separate identity whilst coming within the overall ambit of the Department.

For: Might be easier to present as independent than full integration into the central Department.

Against: But it would be necessary to retain at least some administrative overheads to operate agency as a separate entity, so much less scope for economies.

Not for profit trading body

Comment: This could be on the lines of Network Rail, with Government specifying outputs and a charging regime

For: Would put functions more clearly outside the public sector than an NDPB (subject to avoiding any classification issues) with scope to undertake supplementary commercial activities.

Against: Would involve a substantial amount of restructuring, including some form of regulatory framework, which might be regarded as excessively complex and costly for a body with a relatively small budget.

Government Company or Shareholder Executive

Comment: This could be on the lines of bodies such as the Met Office

For: Would potentially put more distance between Government and Passenger Focus, with more scope to undertake supplementary commercial activities

Against: Would involve substantial restructuring, not clear that any benefits would be sufficient to justify the potential cost and disruption.

Retain NDPB only for functions for which this is essential, hive off rest to another body

Comment: This would mean retaining the NDPB for only the mandatory rail complaints/ appeals function, with scope to move all other activities into one of the other models outlined here

For: Minimises scope and hence direct cost of NDPB itself

Against: Likely to be diseconomies of scale in administration costs from splitting; risk of reducing potential to use lessons from complaints and appeals to inform passenger watchdog function, research programme and so on.

Merge with other body

Comment: In theory the functions could be taken on by any other Government Department or NDPB, but in practice the only plausible option here would appear to be the Office of Rail Regulation (ORR), which already has the statutory responsibility for consumer protection in the rail industry, although its current functions do not extend to bus operations.

For: Possible economies of scale through merger of overheads and admin functions. Potential synergy with ORR's consumer protection role.

Against: While there is a clear read-across between the underlying objectives of ORR's statutory consumer protection role and some of the activities of Passenger Focus, it might not appear to be credible for ORR both to have the enforcement role against operators and to act as an independent champion of passengers' interests.

Given the ORR's high-profile primary licensing and regulatory functions in relation to rail operators (and prospectively also highway operators) there could be concerns over its capacity to act as a champion of passengers/users.

Annex E

Assessment of Corporate Governance against specific requirements

Governance requirement	Compliant or not
Statutory Accountability Principle: The public body complies with all applicable statutes and regulations, and other relevant statements of best practice.	
The public body must comply with all statutory and administrative requirements on the use of public funds, including the principles and policies set out in the HMT publication “Managing Public Money” and Cabinet Office/HM Treasury spending controls.	Compliant. All statutory accounts since 2005 unqualified. “Substantial” core controls internal audit opinion May 2014.
The public body must operate within the limits of its statutory authority and in accordance with any delegated authorities agreed with the sponsoring department.	Compliant. Internal governance arrangements appear robust.
The public body should operate in line with the statutory requirements and spirit of the Freedom of Information Act 2000. It should have a comprehensive Publication Scheme. It should proactively release information that is of legitimate public interest where this is consistent with the provisions of the Act.	Compliant. A pro-active approach to FOI is taken and more generally there is a strong culture of transparency across Passenger Focus. The publication scheme has been recently updated. It has recently been established that PF is not actually covered by FOI legislation – steps are in hand to rectify this by way of the Infrastructure Bill.
The public body must be compliant with Data Protection legislation.	Compliant. Data protection issues are regularly reviewed within PF.
The Authority should be subject to the Public Records Acts 1958 and 1967.	Compliant. National Archives regularly takes digital copies of the PF website for archiving purposes.
Accountability for Public Money	

<p>Principle: The Accounting Officer of the public body is personally responsible and accountable to Parliament for the use of public money by the body and for the stewardship of assets.</p>	
<p>There should be a formally designated Accounting Officer (usually the most senior official and normally the Chief Executive).</p>	<p>Compliant. Anthony Smith appointed Chief Executive in 2005</p>
<p>The role, responsibilities and accountability of the Accounting Officer should be clearly defined and understood.</p> <p>The Accounting Officer should have received appropriate training and induction.</p> <p>The public body should be compliant with the requirements set out in “Managing Public Money”, relevant Dear Accounting Officer letters and other directions. The Accounting Officer has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO). The PAO requires these to satisfy him or herself that the Accounting Office responsibilities are being appropriately discharged. This includes, without reservation, appropriate access of the PAO’s internal audit service into the NDPB.</p>	<p>Compliant. The AO’s role and responsibilities, including the requirement for Passenger Focus to comply with the provisions of ‘Managing Public Money’ and other central guidance, are set out in the Management Statement for Passenger Focus. Anthony Smith and David Sidebottom (Passenger Director) have received appropriate training in the role.</p> <p>The Management Statement confirms that DfT’s internal audit service has full access rights to PF’s own internal audit material.</p>
<p>The public body should establish appropriate arrangements to ensure that public funds:</p> <ul style="list-style-type: none"> - are properly safeguarded. - used economically, efficiently and effectively. - used in accordance with the statutory or other authorities that govern their use? and - deliver value for money for the Exchequer as a whole. 	<p>Compliant. The Management Framework sets the ground rules for ensuring propriety, regularity and efficiency in the use of public funds. Expenditure is planned and managed through an annual workplan, with individual work programmes managed on a project basis.</p> <p>The Framework further provides that DfT is responsible for ensuring that PF’s strategic activities and expenditure are not misaligned with the Department’s own strategic objectives.</p>

<p>The body's annual accounts should be laid before Parliament with the Comptroller and Auditor General as the external auditor.</p>	<p>Compliant. Annual accounts, unqualified, have been deposited in the House Libraries every year since 2005 when PF was established</p>
<p>Ministerial Accountability</p> <p>Principle: The Minister is ultimately accountable to Parliament and the public for the overall performance of the public body.</p>	
<p>The Minister and sponsoring department should exercise appropriate scrutiny and oversight of the public body</p>	<p>Compliant. There is active engagement by sponsorship team with PF, including regular quarterly meetings to monitor activities and budget</p>
<p>Appointments to the board should be made in line with any statutory requirements and, where appropriate, with the Code of Practice issued by the Commissioner for Public Appointments.</p>	<p>Compliant. Appointment procedures agreed with sponsorship team and Commissioner for Public Appointments</p>
<p>The Minister will normally appoint the Chair and all non-executive board members of the Authority and be able to remove individuals whose performance or conduct is unsatisfactory</p>	<p>Compliant. Appointments are made by the SoS, except the three assigned to the Scottish, Welsh and London administrations. Any such appointments made by the SoS may be terminated where the SoS believes that the appointee's conduct means that he or she is no longer a suitable person for the office.</p>
<p>The Minister should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment</p>	<p>Compliant. The Management Framework requires Ministerial agreement to the appointment of the CEO.</p>
<p>The Minister should meet the Chair and/or Chief Executive on a regular basis.</p>	<p>Compliant. Ministers normally meet PF Chair and Chief Exec quarterly</p>
<p>Where the Chief Executive is also Accounting Officer for the body, the Principal Accounting Officer in the sponsor Department should be consulted</p>	<p>Compliant.</p>

<p>A range of appropriate controls and safeguards should be in place to ensure that the Minister is consulted on key issues and can be properly held to account. These will normally include:</p> <ul style="list-style-type: none"> - a requirement for the public body to consult the Minister on the corporate and/or operational business plan; - a requirement for the exercise of particular functions to be subject to guidance or approval from the Minister; - a general or specific power of Ministerial direction over the public body; - a requirement for the Minister to be consulted on key financial decisions. This should include proposals to: (i) acquire or dispose of land, property or other assets; (ii) form subsidiary companies or bodies corporate; and (iii) borrow money; and - a power to require the production of information which is needed to answer satisfactorily for the body's affairs. 	<p>Compliant. The sponsorship team, on behalf of the Minister, are consulted on PF's workplan and corporate plan, and provide guidance on decisions requiring Ministerial approval.</p> <p>The Management Framework requires DfT approval to be given before PF incurs any expenditure outside PF's approved delegations, budget and workplan.</p> <p>PF's pro-active approach to transparency means that a great deal of information is published as a matter of course, in line with its publication scheme and Management Framework includes power to require disclosure if necessary.</p>
<p>There should be a requirement to inform Parliament of the activities of the public body through publication of an annual report.</p>	<p>Compliant. Annual reports and accounts are published and deposited in House Libraries</p>

Role of the Sponsoring Department

Principles:

The departmental board ensures that there are robust governance arrangements with the board of each arm's length body. These arrangements set out the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity.

There is a sponsor team within the department that provides appropriate oversight and scrutiny of, and support and assistance to, the public body.

<p>The departmental board’s regular agenda should include scrutiny of the performance of the public body, whereby the board can establish appropriate systems and processes to ensure that there are effective arrangements in place for governance, risk management and internal control in the public body.</p>	<p>Partly compliant. The DfT Board itself currently has no formal visibility of PF’s activities, though the Department is exploring options for regular reporting to the Board summarising the position for all the DfT NDPBs.</p> <p>However procedures are in place through the sponsorship team to ensure effective oversight of governance, risk management and controls, and were serious issues to emerge then these would be reported up the line to Board level if necessary.</p>
<p>There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the public body and the respective roles and responsibilities of the Minister, the sponsoring department and the public body. This should follow relevant Cabinet Office and HM Treasury guidance. The Framework Document should be published. It should be accessible and understood by the sponsoring department, all board members and by the senior management team in the public body. It should be regularly reviewed and updated.</p>	<p>Partly compliant. There is a comprehensive Management Framework setting out roles and responsibilities. However, the latest version (April 2014) has not yet been published on the DfT websites.</p>
<p>There should be a dedicated sponsor team within the parent department and its role clearly defined</p>	<p>Compliant. There is a dedicated sponsorship team, which has a comprehensive set of desk instructions setting out roles and responsibilities</p>
<p>There should be regular and ongoing dialogue between the sponsoring department and the public body. Senior officials from the sponsoring department may as appropriate attend board and/or committee meetings. There might also be regular meetings between relevant professionals in the sponsoring department and the public body.</p>	<p>Compliant. There is frequent formal and informal dialogue between the two organisations at a range of levels. The sponsorship team have sight of PF Board papers, and while not currently attending PF Board meetings (which are open to the public) have expressed a wish to do so in future. There are also frequent meetings between DfT policy/specialist officials on specific projects being undertaken by PF for DfT.</p>

<p>Role of the Board</p> <p>Principles:</p> <p>The public body is led by an effective board which has collective responsibility for the overall performance and success of the body. The board provides strategic leadership, direction, support and guidance.</p> <p>The board – and its committees – have an appropriate balance of skills, experience, independence and knowledge.</p> <p>There is a clear division of roles and responsibilities between non-executive and executives. No one individual has unchallenged decision-making powers.</p>	
<p>The board should:</p> <ul style="list-style-type: none"> - meet regularly; - retain effective control over the body; and - effectively monitor the senior management team. 	<p>Compliant. The role of the Board is set out in the Management Framework. The Board's meetings, at which all key decisions are made, are quarterly and held in public. Board papers are published, but can be hard to find on the PF website.</p>
<p>The size of the board should be appropriate.</p>	<p>Compliant. The Board currently comprises 10 members, including the Chair. This is relatively large given the size and budget of the organisation, but in part reflects the active engagement of the Board in PF business, and the need for representation for the Scottish and Welsh Governments and the GLA.</p>
<p>Board members should be drawn from a wide range of diverse backgrounds.</p>	<p>Partly compliant. Board members are drawn from a reasonably diverse spread of career and geographical backgrounds. There is a good gender balance but currently no minority ethnic representation</p>
<p>The board should establish a framework of strategic control (or scheme of delegated or reserved powers). Such a scheme should specify which matters are specifically reserved for the collective decision of the board, and must be understood by all board members and by the senior management team. It should be regularly reviewed and refreshed.</p>	<p>Compliant. There is a framework in place, reviewed annually.</p>

<p>The Board should establish formal procedural and financial regulations to govern the conduct of its business.</p>	<p>Compliant. Arrangements are in place, as agreed by the Board and in line with the Management Framework.</p>
<p>The Board should establish appropriate arrangements to ensure that it has access to all such relevant information, advice and resources as is necessary to enable it to carry out its role effectively.</p>	<p>Compliant. Comprehensive reports and supporting briefing and information material are provided for Board meetings.</p>
<p>The Board should make a senior executive responsible for ensuring that appropriate advice is given to it on all financial matters.</p>	<p>Compliant. The Resources Director, Nigel Holden, has this responsibility.</p>
<p>The Board should make a senior executive responsible for ensuring that Board procedures are followed and that all applicable statutes and regulations and other relevant statements of best practice are complied with</p>	<p>Compliant. The Head of Business Services, Jon Carter, has this responsibility.</p>
<p>The Board should establish a remuneration committee to make recommendations on the remuneration of top executives.</p> <p>Information on senior salaries should be published.</p> <p>Rules for recruitment and management of staff should provide for appointment and advancement on merit.</p>	<p>Compliant. A Remuneration Committee has been established. Staff salary bands are published.</p>
<p>The Chief Executive should be accountable to the Board for the ultimate performance of the public body and for the implementation of the Board's policies. He or she should be responsible for the day-to-day management of the public body and should have line responsibility for all aspects of executive management.</p>	<p>Compliant. Roles and responsibilities are set out in the Management Framework and supporting documentation. CEO has line management responsibility for senior managers.</p>
<p>There should be an annual evaluation of the performance of the board and</p>	<p>Compliant. The DfT Minister of State is responsible for assessment of the</p>

<p>its committees – and of the Chair and individual board members. The sponsoring department is responsible for assessing the performance of the Chair. The Chair is responsible for assessing the performance of non-executive board members.</p>	<p>performance of the Chair, and the Chair for assessing the performance of the Board as a whole and of other individual Board members.</p>
<p>Role of the Chair</p> <p>Principle: The Chair is responsible for leadership of the board and for ensuring its overall effectiveness.</p>	
<p>The board should be led by a non-executive Chair</p>	<p>Compliant.</p>
<p>There should be a formal, rigorous and transparent process for the appointment of the Chair. This should be compliant with the Code of Practice issued by the Commissioner for Public Appointments. The Chair should have a clearly defined role in the appointment of non-executive board members.</p>	<p>Compliant. The process for appointment of the new Chair was fully compliant with the Code of Practice issued by the Commissioner for Public Appointments</p>
<p>The duties, role and responsibilities, terms of office and remuneration of the Chair should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance and with any statutory requirements. The responsibilities of the Chair will normally include:</p> <ul style="list-style-type: none"> - representing the public body in discussions with Ministers; - advising the sponsoring Department and Ministers about board appointments and the performance of individual non-executive board members; - ensuring that non-executive board members have a proper knowledge and understanding of their corporate role and responsibilities. The Chair should ensure that new members undergo a proper induction process and is normally responsible for undertaking an annual assessment of 	<p>Compliant. The role and responsibilities of the new Chair are defined in terms and conditions of appointment in line with Cabinet Office guidance and the Management Framework.</p>

<p>non-executive board members' performance;</p> <ul style="list-style-type: none"> - ensuring that the board, in reaching decisions, takes proper account of guidance provided by the sponsoring department or Ministers; - ensuring that the board carries out its business efficiently and effectively; - representing the views of the board to the general public; and - developing an effective working relationship with the Chief Executive and other senior staff. 	
<p>The roles of Chair and Chief Executive should be held by different individuals.</p>	<p>Compliant.</p>
<p>Role of Non-Executive Board Members</p> <p>Principle: As part of their role, non-executive board members provide independent and constructive challenge.</p>	
<p>There should be a majority of non-executive members on the board.</p>	<p>Compliant. All Board members are non-executives.</p>
<p>There should be a formal, rigorous and transparent process for the appointment of non-executive members of the board. This should be compliant with the Code of Practice issued by the Commissioner for Public Appointments.</p>	<p>Compliant. Process managed by PF, overseen by DfT sponsorship team, on behalf of the SoS.</p>
<p>The duties, role and responsibilities, terms of office and remuneration of non-executive board members should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance and with any statutory requirements. The corporate responsibilities of non-executive board members (including the Chair) will normally include:</p> <ul style="list-style-type: none"> - establishing the strategic direction of the public body (within a policy and 	<p>Compliant. Roles and responsibilities set out in terms and conditions of employment, and agreed with DfT sponsorship team.</p>

<p>resources framework agreed with Ministers);</p> <ul style="list-style-type: none"> - overseeing the development and implementation of strategies, plans and priorities; - overseeing the development and review of key performance targets, including financial targets; - ensuring that the public body complies with all statutory and administrative requirements on the use of public funds; - ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsoring department; - ensuring that high standard of corporate governance are observed at all times. This should include ensuring that the public body operates in an open, accountable and responsive way; and - representing the board at meetings and events as required. 	
<p>All non-executive Board members must be properly independent of management.</p>	<p>Compliant.</p>
<p>All non-executive board members must allocate sufficient time to the board to discharge their responsibilities effectively. Details of board attendance should be published (with an accompanying narrative as appropriate).</p>	<p>Compliant. Board members with whom I spoke spend at least the time to which they are committed in undertaking PF duties. PF keep an attendance log</p>
<p>There should be a proper induction process for new board members. This should be led by the Chair. There should be regular reviews by the Chair of individual members' training and development needs.</p>	<p>Compliant. PF have a thorough induction process for new Board members, and recent appointees with whom I spoke were satisfied with their experience. Training and development needs are addressed through the annual appraisal process.</p>

Effective Financial Management	
Principle: The public body has taken appropriate steps to ensure that effective systems of financial management and internal control are in place.	
The body must publish on a timely basis an objective, balanced and understandable annual report. The report must comply with HM Treasury guidance.	Compliant. The annual report provides a comprehensive and readily digestible account of PF's key activities, and reflects HMT guidance.
The public body must have taken steps to ensure that effective systems of risk management are established as part of the systems of internal control.	Compliant. Risk management is thoroughly embedded in the organisation's culture and processes, based on a risk management strategy.
The public body must have taken steps to ensure that an effective internal audit function is established as part of the systems of internal control. This should operate to Government Internal Audit Standards and in accordance with Cabinet Office guidance	Compliant. DfT Internal Audit undertake an audit programme based on identified risks.
There must be appropriate financial delegations in place. These should be understood by the sponsoring department, by board members, by the senior management team and by relevant staff across the public body. Effective systems should be in place to ensure compliance with these delegations. These should be regularly reviewed.	Compliant. There is a framework of delegations in place, as provided for in the Management Framework.
There must be effective anti-fraud and anti-corruption measures in place.	Compliant. Systems are in place, in accordance with the Management Framework, for managing declarations of outside interest, offers of gifts and hospitality, and any fraud. In practice, there have been no recorded incidents of fraud.
There must be clear rules in place governing the claiming of expenses. These should be published. Effective	Partly compliant. There are clear rules on claiming expenses, and expenses paid are published - but with a

<p>systems should be in place to ensure compliance with these rules. The public body should proactively publish information on expenses claimed by board members and senior staff.</p>	<p>substantial lag – the latest ones on the website are for March 2011.</p>
<p>The annual report should include a statement on the effectiveness of the body’s systems of internal control.</p>	<p>Compliant. ‘Substantial’ core controls reported by internal audit in 2013-14 Annual Report</p>
<p>The board should establish an audit (or audit and risk) committee with responsibility for the independent review of the systems of internal control and of the external audit process.</p>	<p>Compliant. The PF Board has established an Audit and Risk Assurance (ARA) Committee to discharge its duties in this area.</p>
<p>The body should have taken steps to ensure that an objective and professional relationship is maintained with the external auditors.</p>	<p>Compliant. Auditors are invited to attend the ARA Committee meetings and their opinions are welcomed.</p>
<p>Communications Principle: The Public Body is open, transparent, accountable and responsive.</p>	
<p>The public body should have identified its key stakeholders. It should establish clear and effective channels of communication with these stakeholders.</p>	<p>Compliant. PF has adopted a Customer Relationship Management approach to ensure it has a systematic and effective approach to stakeholder engagement.</p>
<p>The public body should make an explicit commitment to openness in all its activities. It should engage and consult with the public on issues of real public interest or concern. This might be via new media. It should publish details of senior staff and board members together with appropriate contact details.</p>	<p>Broadly compliant. PF has a strong commitment to openness and transparency, and pro-actively seeks to publish material relating to its activities and to engage with stakeholders and the travelling public. However greater effort could be made to ensure the material is readily accessible on the PF website and kept up to date.</p>
<p>The public body should consider holding open board meetings or an annual open meeting.</p>	<p>Compliant. All formal Board meetings are held in public, although the Board also meet informally at private non-decision-making meetings.</p>

<p>The public body should proactively publish agendas and minutes of board meetings.</p>	<p>Compliant. All papers for public Board meetings are published.</p>
<p>The public body should proactively publish performance data.</p>	<p>Compliant. PF include performance data and supporting material with published Board papers.</p>
<p>In accordance with transparency best practice, public bodies should consider publishing their spend data over £500. By regularly publishing such data and by opening their books for public scrutiny, public bodies can demonstrate their commitment to openness and transparency and to making themselves more accountable to the public.</p>	<p>Compliant.</p>
<p>The public body should establish effective correspondence handling and complaint procedures. These should make it simple for members of the public to contact the public body and to make complaints. Complaints should be taken seriously. Where appropriate, complaints should be subject to investigation by the Parliamentary Ombudsman. The public body should monitor and report on its performance in handling correspondence.</p>	<p>Compliant. The website includes information on how to contact PF, and how to make a complaint about its handling of an issue. Information on the number of complaints about PF is on its website.</p>
<p>The public body must comply with the Government's conventions on publicity and advertising. These conventions must be understood by board members, senior managers and all staff in press, communication and marketing teams.</p>	<p>Compliant.</p>
<p>Appropriate rules and restrictions must be in place limiting the use of marketing and PR consultants.</p>	<p>Compliant. PF don't use marketing or PR consultants.</p>
<p>The public body should put robust and effective systems in place to ensure that the public body is not, and is not perceived to be, engaging in political lobbying. This includes restrictions on board members and</p>	<p>Compliant.</p>

<p>staff attending Party Conferences in a professional capacity.</p>	
<p>Conduct and Behaviour</p> <p>Principle: The board and staff of the public body work to the highest personal and professional standards. They promote the values of the public body and of good governance through their conduct and behaviour.</p>	
<p>A Code of Conduct must be in place setting out the standards of personal and professional behaviour expected of all board members. This should follow the Cabinet Office Code. All members should be aware of the Code. The Code should form part of the terms and conditions of appointment.</p>	<p>Compliant. This is included in the Board membership code.</p>
<p>The public body should adopt a Code of Conduct for staff which is based on the Cabinet Office model Code. All staff should be aware of the provisions of the Code. The Code should form part of the terms and conditions of employment.</p>	<p>Compliant. In the staff handbook</p>
<p>There should be clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff. This is regularly updated.</p>	<p>Compliant. In Register of Interests.</p>
<p>There should be clear rules and guidelines in place on political activity for board members and staff, and effective systems in place to ensure compliance with any restrictions.</p>	<p>Compliant. In Register of Interests</p>
<p>There are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement. These are effectively enforced.</p>	<p>Compliant. Rules are in place as agreed in terms of employment. PF regard risk as minimal and hence no need in practice for strenuous enforcement.</p>

Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Compliant. No known breaches of the Codes of Conduct.
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Annex F

External organisations consulted/interviewed during the review

PF: Colin Foxall; Diane McCrea; Bob Linnard; Anthony Smith; Jon Carter; Martin Clarke; David Sidebottom; Nigel Holden

RDG/ATOC: Michael Roberts; David Mapp; Edward Welsh; Chris Scoggins

ORR: Annette Egginton

CPT: Simon Posner

Bus Users UK: Claire Walters

London Travel Watch: Stephen Locke (also Passenger Focus Board member); Tim Bellenger; Janet Cooke; Ruth Thompson

Annex G

Acronyms used in this report

AO	Accounting Officer
ARA	Audit and Risk Assurance
ATOC	Association of Train Operating Companies
BUUK	Bus Users UK
CEO	Chief Executive Officer
CPT	Confederation of Passenger Transport
CRUCC	Central Rail Users' Consultative Committee
CTCC	Central Transport Consultative Committee
DfT	Department for Transport
DPTAC	Disabled Persons Transport Advisory Committee
EU	European Union
FOI	Freedom of Information
GB	Great Britain
GLA	Greater London Authority
HMT	Her Majesty's Treasury
LTW	London TravelWatch
NDPB	Non-Departmental Public Body
ORR	Office of Rail Regulation
PAO	Principal Accounting Officer
PF	Passenger Focus
PR	Public Relations
RDG	Rail Delivery Group
RUCC	Rail Users' Consultative Committee
SHC	Strategic Highways Company
SoS	Secretary of State