



**Annual report and accounts
2012–13**

Report presented to Parliament

pursuant to paragraph 11 of schedule 5 of the Railways Act

Accounts presented to Parliament

pursuant to paragraph 9 of schedule 5 of the Railways Act 2005

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Section 1

Chairman's introduction

Passenger Focus: making a difference

We are starting a new year from a strong position – increasingly able to guide government and industry decision-making thanks to our evidence-based, professional, trusted, energetic and useful passenger advocacy.

Our widely-respected research is key to this. The rail National Passenger, and Bus Passenger, Surveys provide comparative benchmarking that drive real change on the ground. We will continue working proactively with government and industry, making sure every debate starts with the question: “What do passengers want and how do we know...?” In short, we will continue pushing for *passenger power!*

Set out in the following pages are some of the things we achieved for passengers in 2012-13.

Rail passenger issues

Franchising

Rail headlines were dominated this year by the sudden halt of the Government's franchise replacement programme. Delays to investment and planned improvements caused by the collapse of the West Coast franchise had a real effect on passengers.

But this pause also created an opportunity. We will use it to focus on ensuring that the Government delivers on its vision of a franchise process that is focused on the needs of passengers. Passenger input is critical at this stage – influencing what goes into a contract can improve the service provided. And as passengers are now putting around two pounds into the railway for every taxpayer pound, it is right that their voice should be amplified.

For too long passengers have been the passive recipients of major decisions behind closed doors. The voice of the user – and main funder – of the railways should be radically boosted, in a process that needs to be opened up to scrutiny. We are going to work with government to make this a reality – the time has come for *passenger power!*

As part of our work on this we carried out research, soon to be published, on *how* passengers want to be involved in rail franchising. At present there is a substantial information void which we will begin to fill.

We would also strongly welcome any move to give passengers an enhanced role in deciding whether a franchised operator can get an extension. Given the length of some potential extensions to current contracts, it is crucial to have effective passenger consultation and input in this process. Some of these decisions will affect the daily journeys of passengers for a long time – CrossCountry will potentially get a 43-month extension. If current contract extensions are simply presented as a commercial ‘done deal’, they will not command passenger confidence.

Fares and ticketing, complaints, and disruption

The Government's consultation on fares and ticketing was peppered with references to our research and policy. It will be interesting to see what emerges from the conclusions of the review due to be published this summer, but we know that our research helped provide a solid foundation for this work.

Years of inflation-busting fares increases have led to increasingly vociferous headlines. We continue to argue that government will never get the credit it deserves for funding the railways while above-inflation fare rises continue. In particular the train companies' ability to 'flex' regulated fares within overall government limits continues to produce inexplicable and indefensible rises for particular routes and even individual stations. We will study and monitor the output of the review very carefully. The government's stated aim of working towards inflation-only fare rises is welcome.

One of the issues I am proudest of our work on is the appalling treatment of some rail passengers who make an innocent mistake and are caught without a valid ticket. With a total absence of intent, they can then be treated like criminals. Our *Ticket to Ride* report challenged the attitude that means passengers could end up facing a criminal prosecution for forgetting their railcard one day, and shone a light on this murky area which causes such friction in the front line and such bad feeling towards the industry.

With a simple mistake such as forgetting a railcard or the ticket machine failing to issue a pre-paid ticket, normal customer-care principles are forgotten about and passengers can be 'fined' hundreds of pounds or threatened with prosecution. This is no way to treat customers. People who set out to defraud the railway should be pursued - but innocent passengers should not be scooped up in this trawl.

Under our continued pressure the train companies, to their credit, recognised there is an issue and have drawn up an industry code of practice for how Unpaid Fare Notices (outside Penalty Fare areas) should be dealt with. We reserve judgement until it is implemented but some items, such as introducing a formal right of appeal, are definitely on the right track. We will be monitoring progress with this carefully. Following discussions with us, many train companies are reviewing their own processes and we will continue this work with them.

In 2012-13 we dealt with over 2,600 complaints. Yet again, East Coast is top of the complaints league, despite some welcome improvements following our intervention. We were disappointed to see that process changes did not lead to the expected passenger benefit and we hope to see progress on this next year.

Complaints handling and fares/ticketing issues again dominate our postbag. We significantly exceeded our target of at least 70 per cent of complainants being happy with the way we dealt with their complaint.

Performance is still the main factor behind overall passenger satisfaction. Following our research and work with industry, National Passenger Survey scores for this are moving in the right direction but there is still a long way to go.

This year we produced two new reports about passengers' attitudes on planned engineering work, and the use of social media, including Twitter, in keeping them informed (*Short and Tweet*). Both again emphasised the overriding importance of keeping passengers informed, and have been widely welcomed and used by industry.

Other (including bus passenger) issues

The Bus Passenger Survey continues to grow in scale and usefulness; only in its third year, it is already well established within industry decision-making. Every pound spent on it by us is matched by bus companies and/or local government, who use it to drive change on the ground. Over 22,000 passengers completed this survey.

Bus passengers' experiences were much less understood than rail passengers'. We have now started to put that right with strong bedrock of research on value for money, disruption and fares and ticketing. Our ground-breaking work on the causes and effects of poor bus punctuality is broadly welcomed and used by the industry and the Traffic Commissioners. We plan to roll this out to a wider audience in 2013.

We carried out a pilot tram passenger satisfaction survey in the West Midlands. In time this work will enable us to compare tram and bus passenger experiences.

To make sure that smart-ticketing products and technology are designed with passengers' ease of use in mind – not just what is convenient to administer – we started a wide-ranging research project on smarter ticketing, on behalf of the Department for Transport (DfT). Over the next 18 months we will explore needs and attitudes before smart ticketing is introduced, and evaluate existing or pilot smart ticketing schemes.

We also want to make our data more open and will soon be launching an open data tool that makes the National Passenger Survey, Bus Passenger Survey and our complaints data easier to access and search.

2013-14

Our new work plan is now on our website, www.passengerfocus.org.uk. Please have a look and tell us if you think we are focusing on the right things on your behalf.

Colin Foxall CBE
Chairman

Section 2

Making a difference for all passengers

Overall

Passenger Focus continues to represent the interests of rail users nationally and bus, coach and tram users across England outside London.

We focus on the pressing consumer issues facing passengers, as well as dealing with rail ‘appeal’ complaints. Our core sources of evidence are our National Passenger Survey (NPS), Bus Passenger Survey (BPS) and our rail appeals work.

We boost our knowledge with bespoke research to give us the evidence we need to work with a range of transport industry stakeholders, helping them identify and act on passenger needs.

We have now also started work to expand our knowledge of our other responsibilities, including tram.

Our work last year focused on:

- rail franchising
- passenger satisfaction – benchmarking and driving change
- rail fares, ticketing and value for money
- transparency.

Rail: franchising

We focus much effort on franchising because it makes a difference for passengers – by influencing what goes into the contract we can improve the service provided. As well as looking at things like investment in new trains, we also focus on things that matter locally such as staffing at stations, the times of first and last trains, and compensation arrangements.

At the beginning of the year we carried out and published research for a number of franchises and submitted detailed responses to various franchise consultations carried out by the DfT (see list on page 14).

We then carried out an extensive programme of engagement with bidders and other stakeholders to ensure that our recommendations were reflected in consultation and tender documents. This should, in turn, lead to improvements on the ground.

All this came to an abrupt halt once problems were identified with the West Coast franchise negotiation. Rather than ‘downing tools’ we took the opportunity to ask passengers what role they wanted in any new franchising regime.

With passengers funding a much bigger share of the railway we believe they should have a much bigger say in what is purchased on their behalf.

The results bore this out: passengers wanted more say in what went into the franchise in the first place and in monitoring its delivery. We worked hard to get these views across in the subsequent reviews of franchising, including the Brown Review. Early indications are that our call for a greater focus on passenger needs will be heeded. We also produced a series of briefings on what each new announcement would mean for passengers.

Rail: passenger satisfaction

We carry out the National Passenger Survey (NPS), one of the largest published customer satisfaction surveys of rail passengers in the world, each spring and autumn.

This year we spoke to over 62,000 passengers. The results attract significant media interest on publication and throughout the year, and we use them as a lever to lobby for improvements for passengers.

Within the industry the NPS results are used to benchmark specific performance aspects and we know that it is also used in the setting of some executive bonuses.

At a national level the percentage of passengers satisfied with their journey overall in spring 2012 was 83 per cent, and in autumn 2012 85 per cent.

Rail: driving real improvements for passengers

Following the NPS, we held discussions with several operators to make sure they understood what the results meant and to start addressing specific concerns. We focus attention on those operators where we have concerns about a specific set of results or where a trend has been developing.

As a result of this work several operators now have action plans in place to address poorer areas of their NPS performance. This includes good work and positive results for passengers with Greater Anglia and ScotRail, among others.

We also use information from the rail appeals we receive, or other sources of local intelligence, to represent passenger concerns. This includes positive results for London Midland passengers who were offered compensation following prolonged disruption to services caused by a shortage of train drivers.

Not only did we argue for compensation but we also pushed hard to ensure that this was publicised and that passengers were given adequate time in which to claim what they were due.

We have ensured passenger needs have been taken into consideration during changes on the rail network. We responded to 332 consultations, six of which were proposals to reduce booking office opening hours. In each of these we improved the result for passengers, and were successful in fully reversing the decision to reduce opening hours at both Oakham and Stamford stations.

Rail: fares and ticketing

This year the Government launched a review of fares and ticketing – an issue that is never far away from passenger and stakeholder minds. The consultation document quoted heavily from Passenger Focus’s research, particularly our work on retailing; a sign that our research is well respected and continues to help shape the debate.

Our detailed response reinforced the need for clear, precise details about restrictions on tickets. We believe that tickets should contain all relevant information about the times you can travel and the routes you can take – something the industry is currently working on.

While the strategic changes are being debated there is still much that can be done at the operational level. Our continued work with train companies has led to them making improvements – for instance, more ticket machines now give details on restrictions than before.

We will keep up this pressure for operators to make it easier for passengers to buy the right ticket, whether via a ticket machine, over the internet or from a member of staff.

This year we also raised the issue of ticketless travel. We do not condone fare dodging but we were receiving too many complaints from people who had made an innocent mistake, and had no intent to defraud, but were being pursued with the ‘full force of the law’.

Having investigated further we published our concerns (*Ticket to Ride*) which attracted considerable media attention at the time. Since then we have had detailed discussions with the industry to drum home these issues. To its credit the industry recognised the problems we raised and began work on a code of practice.

We are now working with individual operators to improve their own practice in this area. When Arriva Trains Wales wanted to introduce a new revenue protection policy earlier this year, they based it on the principles in our report. This should ensure passengers are listened to and fair treatment is built into the system.

We will reserve judgement until the industry code is implemented but some of the recommendations, such as introducing a formal right of appeal, are definitely heading in the right direction. We will monitor progress with this carefully.

Rail: performance and information

Performance continues to be the main factor behind overall passenger satisfaction. We know that passengers understand that things will occasionally go wrong - but they can’t forgive poor quality information when it does. This has been one of our core messages for several years and we continued to tour the country presenting our research to train companies and other stakeholders.

This year we produced two new reports about passengers' attitudes on planned engineering work, and the use of social media, including Twitter, in keeping them informed (*Short and Tweet*). Both again emphasised the overriding importance of keeping passengers informed and have been widely accepted and used by industry.

We are in no doubt that our research and, as importantly, our persistence is making a genuine difference for passengers and has improved the quality and availability of information. Improving passenger information during disruption is now a funded and regulated programme of work in its own right.

We published a report on the impact of poor weather at the start of the year and also raised general concerns at the timeliness of some information over the Christmas period due to engineering work. Both again reflect the importance of working at both the strategic and operational levels.

We continue to push the boundaries of transparency. We believe that passengers should be given the information they need in order to hold their train company to account.

Our previous research showed that data on punctuality was a key part of this but, for it to be really useful, it needed to better reflect passengers' own journeys and experiences rather than being part of an amorphous average. This means being able to see how your particular train or route is doing; it also means having confidence that the industry definition of lateness matches your own.

This year saw something of a breakthrough when the first 'on-time' (trains arriving exactly on time rather than with a five or ten minute 'allowance') performance data was made public, along with data that was broken down for individual routes.

This is a welcome first step but there is more to come. We joined forces with the Office of Rail Regulation (ORR) and National Rail Enquiries (NRE) to research exactly how passengers wanted to see data on performance presented and published. This will be published in the coming year.

We use reputation as leverage to push industry to act quickly and in the best interests of passengers during and following times of disruption. We used publicity as well as liaison with management at London Midland to push the company into better promoting the compensation arrangements it made for passengers affected by severe disruption during a driver shortage at the end of 2012.

Rail: resolving complaints with operators

Passenger Focus is the statutory appeals body for rail passengers in Great Britain (except for inter-London journeys); our passenger team negotiates with rail companies when a passenger is unhappy with the way a company has responded to their complaint.

By the time a passenger's complaint reaches us, they are already frustrated and annoyed. It is therefore critical that their experience of our service is good. We ask passengers how satisfied they are with the way we have handled their complaint - this year, we achieved a passenger satisfaction score of 80 per cent.

This year we handled 2674 appeals for passengers. We received a total of 3402 appeals but 627 were not pursued by the passenger, and 101 not pursued by us due to extenuating circumstances.

This year we have changed our recording process so that operator totals no longer include appeals not pursued by passengers or us. Therefore directly comparing operator totals with 2011-12 may indicate a bigger reduction in appeals than has actually taken place.

As part of our work to reduce inconvenience to passengers and to improve the way train companies handle passenger complaints, we carried out a number of complaint audits with operators.

These reviews will lead to improvements in the quality of operators' first responses to passengers, and should reduce the causes of complaints by investigating and addressing underlying issues. As we learn more about the way complaints are handled, we are able to share best practice within the rail industry.

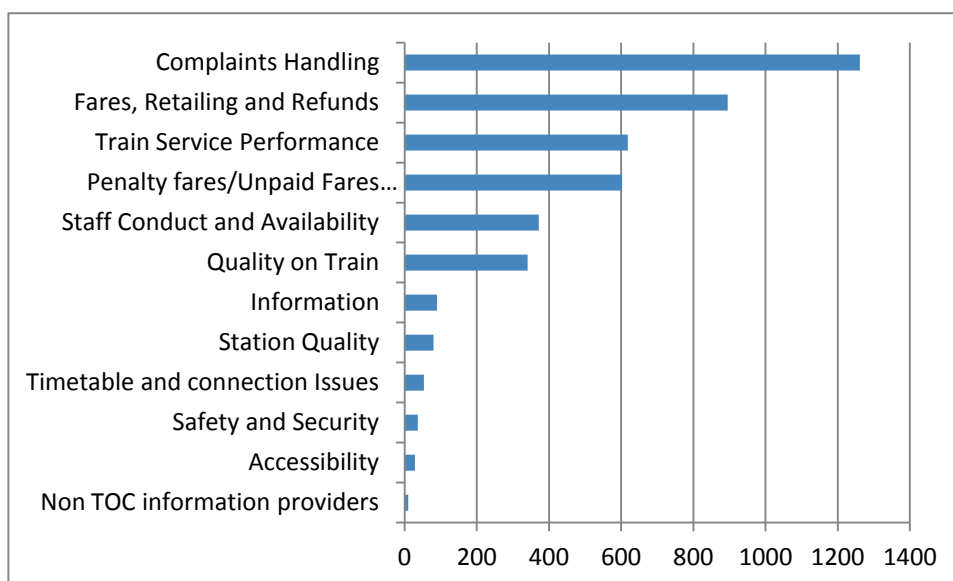
See Fig 1 and Fig 2, below, for a breakdown of complaints by operator and by topic. Note that Fig 2 totals will add up to a greater number than Fig 1; this is because a single complaint may have several aspects.

Fig 1: Complaints by operator

Operator	Rail appeals
East Coast	677
Southern	192
Virgin Trains	184
First Great Western	180
Northern Rail	171
South West Trains	161
CrossCountry	140
Greater Anglia	125
ScotRail	114
Southeastern	110
East Midlands Trains	107
First Capital Connect	77
London Midland	73
First TransPennine Express	58
thetrainline.com	56
Grand Central	49

Arriva Trains Wales	39
Tyne and Wear Metro	26
Chiltern Railways	20
Association of Train Operating Companies (ATOC)	17
c2c	16
Raileasy	13
Merseyrail	12
National Rail Enquiries	12
IPFAS/RPSS	9
Network Rail	7
Redspottedhanky.com	6
MyTrainTicket	5
National Express East Anglia	5
First Hull Trains	4
Metrolink	3
IRCAS	3
ATOS	2
takethetrain.co.uk	1
Total appeals pursued	2674

Fig 2: Complaints by topic



Bus: passenger satisfaction

This year we published the third Bus Passenger Survey (BPS) which continues to prove increasingly useful across the industry. We provide the evidence for bus companies and transport authorities to benchmark, identify and improve their offering to passengers. In this year's work, we asked more than 22,000 passengers from 20 areas across England, outside of London, what they think about their bus service.

Every pound spent on it by us is matched by bus companies and/or local government, who use it to drive change on the ground.

The proportion of passengers satisfied overall with their bus journey varied across areas from 73 to 92 per cent (averaging 84 per cent). For the first time we also surveyed passengers using bus rapid transit systems in two areas.

We presented BPS results and held follow-up meetings, covering over 45 different bus companies and transport authorities, to develop plans to target areas in need of improvement.

Extensive research across the West Midlands highlighted passenger dissatisfaction with some key factors. Following work to tackle these, the West Midlands Passenger Transport Executive (Centro) funded a follow-up programme of BPS research work in spring 2012 to measure passenger reaction to their work. The headline results showed a six per cent increase in overall passenger satisfaction and an eight per cent increase in satisfaction with vehicle cleanliness.

Bus: punctuality, delays and disruption

Passengers tell us that punctuality is one of their top priorities. In an innovative project we brought together operators, local authorities and other stakeholders in pilot areas to look at what actual performance data exists, how this is gathered and what analysis is done on the causes of any delay. We will publish the report in the coming year and hold a series of events for industry to help turn the information into action that will directly benefit passengers.

Analysing performance statistics is important but it is also useful to look at the impact on passengers. We undertook some separate research to understand bus passengers' experience of delays and disruption, how it impacts on them and what could be done to alleviate the problems.

Two very clear messages stood out: passengers want real-time information at the bus stop and they want the driver to keep them better informed when on the bus. We will work to ensure that this message gets across at the operational level.

Bus: service levels and changes or cuts to services

For many people buses provide a lifeline to employment and local services. Our research on the impact of bus cuts (*Bus service reductions – the impact on passengers*) showed how cuts to services affect real life.

We also produced a consultation 'toolkit' for use by local authorities when reviewing local bus services. We recognise that everyone is facing severe pressures on spending so the aim behind the toolkit was to help ensure that budgets were spent on the type of services that passengers most wanted, rather than campaigning to prevent the cuts happening at all.

Initial feedback from local authorities and bus operators suggests that this has already proved useful, and there is some interest in updating and refreshing the toolkit in the next year.

Bus: driving real improvements for passengers

We identified problems with bus information at Cambridge railway station, including directional information that was incorrect or missing entirely, and poor information at shelters for buses to key areas such as the hospital and city centre. We worked with Greater Anglia, Stagecoach and Cambridgeshire County Council to resolve it and work has already started to take place.

Our help led to a seven per cent increase in passenger satisfaction for Coventry passengers (from 73 to 80 per cent, measured by a Centro survey) and an increase in bus punctuality.

We joined a Voluntary Multilateral Agreement with Centro, Coventry City Council and local operators to work towards faster, more punctual services as well as shorter waiting times and a more comfortable journey. We carried out the first BPS in the city later in the year, and found that overall satisfaction was 81 per cent.

Bus: further research

We have responded to the debate surrounding the structuring of bus services, in particular the thorny question of whether there should be a voluntary partnership approach between bus companies and local authorities or whether there should be a more formal 'quality contract'.

To help inform the debate we did what we always do – we asked passengers for their views. Our research – which will be published in the coming year – looks at how passengers want to be engaged with. As with rail, there is a clear appetite for a more active role.

Towards the end of the year we began large-scale research on bus passengers' attitudes towards value for money and buying a ticket. We involved the Youth Parliament as young adults are one of the main bus markets. This work, to be published in the next year, will identify best practice and potential improvements.

All transport types: accessibility

Some work crosses the rail/bus divide – none more so than accessibility. We collated our existing research on bus and rail passengers in two reports on the experiences of passengers with disabilities.

This formed the theme for the second of our two accessibility forums held in the year. We organised these events to bring together groups with an interest in making transport more accessible, and empower them to make more use of our research.

We gather a lot of data on accessibility through our research and this forms a valuable resource – the more this can be used the better for passengers and taxpayers.

All transport types: transparency and visibility

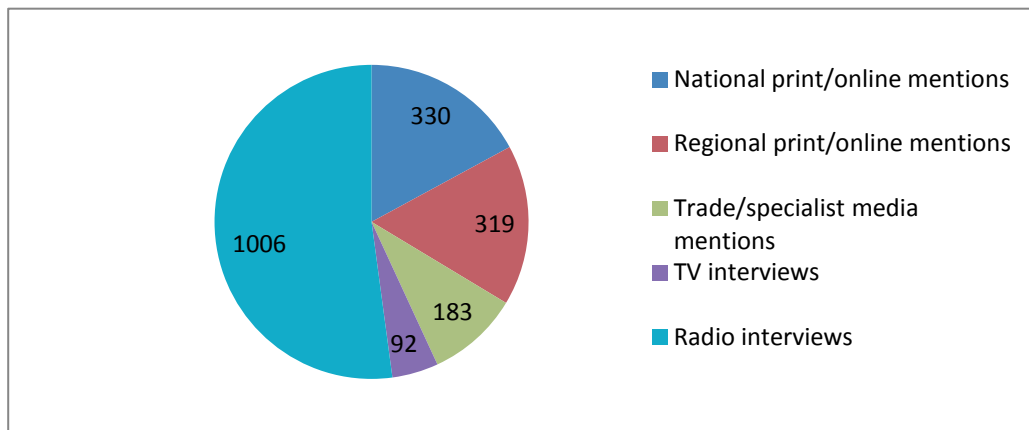
As part of our commitment to transparency, we set up an open data project aimed at making detailed analysis of the rail and bus passenger surveys, and our appeal complaints data, available on the website.

The website was given a refresh this year in order to provide information to passengers and stakeholders in a more accessible format, with an improved search function. Over the year we had more than 125,000 hits from over 92,400 unique visitors.

We moved the quarterly printed Passenger Voice newsletter to a monthly e-newsletter in order to provide more up-to-date news to our stakeholders. This is now distributed to around 10,000 people with an interest in transport; an increase from the 1,800 signed up for the printed version.

The communications team maintained a 24-hour press office and continued establishing a high media profile with coverage of our research and our expert opinion on issues including franchising and fares. Figure 3 shows the breakdown of coverage received between April 2012 and March 2013.

Figure 3: Media coverage April 2012 – March 2013



All transport types: smart ticketing

As technology develops, smart ticketing is increasingly being considered in many areas. To make sure that smart-ticketing products and technology are designed with passengers' ease of use in mind – not just what is convenient to administer - we started some wide-ranging research, on behalf of the Department for Transport (DfT).

Over the next 18 months we will explore needs and attitudes before smart ticketing is introduced, and evaluate existing and pilot smart ticketing schemes.

Firstly, we are looking at views and needs around smart tickets among rail commuters in the south east in preparation for the introduction of SEFT (South East Flexible Ticketing) – this should be published on our website early in the 2013-14 financial year.

Following this we will:

- evaluate the Oxford SmartZone initiative
- review passenger expectations of apps in conjunction with smart ticketing
- explore attitudes to smart ticketing in the general population.

All transport types: work with local passenger representatives

We helped set up and improve passenger panels with bus, coach and train operators by providing advice on how best to increase passenger benefits and improve services.

We held four successful workshops with local transport user groups, responding to their request for more briefing on our policy and research work and plans, and for some guidance on how to develop their own local research and boost their media coverage.

We developed a well-received user group newsletter which we distribute by email to around 500 contacts on a regular basis.

Devolved governments

The national work described above mostly covers the whole of Great Britain, including Scotland and Wales. However we also carry out some country-specific activities.

Scotland

In Scotland we continued our dialogue with the Scottish Government, Transport Scotland and a range of other key stakeholders around passenger issues including the ScotRail franchise replacement and plans for major investment to the rail network over the next five years.

We have responded to Government and industry consultations on franchise replacement and investment, highlighting passenger priorities including value for money, frequency of services and train service reliability.

We used our research to push Transport Scotland, Network Rail and ScotRail to make improvements to passenger information following severe winters that caused a lot of disruption for passengers. This has already led to improved passenger satisfaction in the NPS, with how well Scotrail deals with delays.

We worked with Regional Transport Partnerships on delivering transport improvements that meet the needs of passengers. We boosted the sample size of the NPS in the Highlands, helping HITRANS with its rail strategy. This also helped

the development of plans to increase the frequency of trains serving Oban, and led to work that provided improved information to passengers at stations.

Wales

Last year we asked 2,900 Welsh rail passengers about a range of issues, ensuring that we have a detailed 'ground-level' understanding of their needs and priorities. We also held a workshop for user groups in Wales.

We responded to key government inquiries, including Welsh cross-border transport (Welsh Affairs Committee) and Integrated transport (Enterprise and Business Committee), and were part of the advisory group to the Welsh Government Task Force on integrated transport in South East Wales.

Passenger Focus has worked closely with the Welsh Government and the Passenger Transport Users' Committee (PTUC) for Wales. Our board member, Stella Mair Thomas, was appointed to the PTUC, enabling us to support its work by sharing research and other areas of mutual interest.

We maintained relationships with the key decision-makers and stakeholders for rail and related transport services, including meeting regularly with the all train companies serving Wales, the Welsh Government, AMs and MPs, Bus Users UK in Wales, the British Transport Police, the Community Rail Partnerships, four transport consortia and Network Rail Wales.

Publications

All of our research is available at <http://www.passengerfocus.org.uk/research/all>.

We are often asked to provide submissions for the Transport Select Committee, including on the rail franchising breakdown and access to transport for passengers with disabilities. These are published on the select committee website.

Briefings on rail franchising:

- *Initial briefing - fresh start for franchising*
- *Brown Review of franchising - Passenger Focus summary of key points*
- *Brown review of franchising - Passenger Focus response.*

Research – rail:

- *National Passenger Survey Spring 2012*
- *National Passenger Survey - Autumn 2012*
- *Ticket to ride – looking at how passengers making an honest mistake are treated*
- *Rail passengers' experiences and priorities during engineering works*
- *Short and Tweet - how passengers want social media during disruption*
- *National Station Improvement Programme: Phase Two report*
- *Comparison of international rail fares and ticketing report*
- *Passenger views of Northern and TransPennine rail franchises*

- *South Eastern franchise - passenger research summary*
- *Examining the links between Customer Satisfaction and Performance: East Coast*
- *Thameslink franchise - passenger research summary*
- *Great Western franchise - passenger research summary*
- *The 'Combined' franchise - a consultation response from Passenger Focus on the future Thameslink, Southern and Great Northern network.*

Research – bus:

- *Bus Passenger Survey*
- *Bus passengers' experience of delays and disruption*
- *Bus service reductions – the impact on passengers.*

Other research:

- *The Future of Transport - an exploration of future trends and their potential impact on passenger expectations of travel, particularly public transport*
- *Experiences of disabled rail passengers*
- *Experiences of disabled bus passengers*
- *Youth Select Committee research presentation - an overview of Passenger Focus's bus and rail research findings which relate to young passengers.*

Other publications:

- *Bus service reviews: consulting on changes to local services - a best practice toolkit*
- *Passenger Focus open data strategy*
- *Single Equality Scheme and Action Plan 2012 – 2013.*

Section 3

Annual report and accounts 2012-13

Management commentary

This is the eighth annual report and accounts for Passenger Focus, covering the year to 31 March 2013. Our achievements this year for train, bus, coach and tram passengers are listed in Section 2 – Making a difference for passengers.

Nature of business

Passenger Focus¹ is an executive non-departmental public body set up by the Government to protect the interests of Britain's rail passengers and England's bus passengers outside London, coach passengers on scheduled domestic services and tram passengers. We are funded by the Department for Transport but our operations and policy-making are independent of government.

Financial structure of business

Passenger Focus is funded by grant in aid from the Department for Transport (DfT) and £5,145,000 was received in 2012-13. An initial payment was made to provide the organisation with working capital. Subsequent monthly payments have been made by the Department based upon actual expenditure in the previous month, and forecast future requirements. Passenger Focus has agreed its funding requirements with the DfT until 2014.

Office accommodation

As reported last year we were attempting to reduce our London office costs by working closely with the Department for Transport and the Government Property Unit by surrendering the lease at our Drummond Gate offices or finding alternate tenants without penalty. An alternate tenant was found and we were able to surrender the lease during the year which has allowed us to move to lower-cost office accommodation within Government estate at Fleetbank House resulting in cost savings of around £220,000 per annum.

Operational performance

Our 2012-13 work plan set out our key areas of focus for the year, which were as follows:

- passenger satisfaction – benchmarking, understanding and driving change
- punctuality – more trains, buses, coaches and trams on time
- helping the industry to understand and respond to passenger experiences of disruption
- fares, ticketing and value for money
- industry long term planning and / or service changes
- rail 'appeal' complaints handling where train companies and passengers are deadlocked.

¹ Passenger Focus is the operating name of the Passengers' Council, formerly known as the Rail Passengers' Council which was officially constituted on 24 July 2005 under the Railways Act 2005 and the subsequent amendments.

Our progress against these is reported in the Review of Activities, including our achievements this year.

Finance

In 2012-13 the organisation received grant in aid of £5,145,000 from the Department for Transport, of which £865,000 was allocated to work on the National Passenger Survey, £235,000 for work on the Bus Passenger survey and £280,000 for transition which included costs for the move of our London office, leaving a balance of £3.8m for operating costs including passenger research. In addition, this year Passenger Focus has secured funding totalling £322,000 of third party income for joint projects which included £202,000 from the Department for Transport for smart ticketing research.

The organisation incurred net costs of £5.2 million in the year to 31 March 2013. Some 28 per cent (2011-12: 24 per cent) of our spending has been invested in research on passenger issues which ensures we are able to provide objective evidence to support our campaigns for improvements.

Total taxpayers' equity² showed a balance of £48,000 at the end of the year and the total grant in aid drawn down during the year was £5,145,000, of which £82,000 was deployed on non-current assets as a consequence of our London office move.

Non-current assets

During the year there was a premature surrender of the lease for our London offices at Drummond Gate and, as a result, leasehold improvements and fittings with a cost value of £399,000 and depreciation charge to date of £144,000 have been written down.

The cost value and depreciation at 1 April 2011 has been restated as a number of assets which were fully depreciated in earlier years included in the opening balances have now been removed. Adjusting for these items has had no impact on net book value at 31 March 2012.

All assets remain at cost and have not been revalued as all expenditure was incurred within the last 24 months, so a revaluation is not considered to be material to the financial statements.

Resources

The key strength of the organisation is the influence it is able to exert through the knowledge and expertise gained from targeted passenger research, and by working closely with key stakeholders in the rail and bus industry to make a difference to passengers.

² Taxpayers' equity can be defined as the total value of taxpayers' funds in reserves and represents the net value of the assets and liabilities which have been funded by government.

Our investment in passenger research over the year totalled £1,480,000, including the National Rail and Bus Passenger Surveys. The main research projects this year have been highlighted in the Review of Activities, and the full details of our research can be found on our website.

Essential contractual arrangements

The primary contractual arrangements for the organisation are for passenger research, including the National Rail and Bus Passenger Surveys (NPS/BPS), and our outsourced information technology support and infrastructure provider.

The contracts for the NPS and BPS are managed through regular reports on performance against service levels, and have been awarded under the terms of the research framework contract already in place.

Pension liabilities

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

Payment of suppliers

Passenger Focus endeavours to comply with the Better Payment Practice Code and seeks to pay invoices within 30 days of receipt. During the year we paid 98 per cent (2011-12: 98.3 per cent) of invoices within 30 days, and 71.5 per cent (2011-12: 77.7 per cent) within 10 working days.

The average time taken to pay a supplier during the year was 7.0 days (2012-12: 6.75 days). This was calculated by dividing the aggregate amount owed to trade creditors at year end, by the aggregate amount invoiced by suppliers during the year, multiplied by the total number of days in the financial year.

Staff

We are committed to equality of opportunity for all our staff, and do not condone discrimination on the grounds of sex, transgender, race and ethnicity, religion and belief, disability, marital status, age, pregnancy and maternity or sexual orientation.

We are keen to provide our staff with a range of training and development opportunities to ensure they have the knowledge and skills necessary to carry out their responsibilities effectively. During the year we have spent £54,000 to support improved staff performance, including development and communication of the work plan.

The average number of staff employed decreased by three in comparison to the prior year. This was mainly as a result of the prior year's average figure being affected by a number of staff being made redundant in June 2011.

We continued to operate our simple bonus scheme during the year so that we could recognise staff who have demonstrated exceptional performance - more details are included in the Remuneration Report on pages 23 to 27.

Over the year the level of unplanned absences due to sickness was 4.7 per cent (2011-12 2.1 per cent) of the total staff time. This increase was due to a member of staff being on long term sick leave due to a non-work-related medical condition for a large part of the year. Excluding this staff member, the level of unplanned absence due to sickness was 2.9 per cent.

Details of executive directors' remuneration during the year are set out in the Remuneration Report on pages 24 to 29.

Health and safety

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

Social and environmental issues

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

In order to minimise the impact on the environment, Passenger Focus staff and board members use public transport wherever possible when undertaking official business. We have reduced our business travel during 2012-13, making better use of electronic communication and conferencing facilities.

Charitable and political donations

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

Corporate governance

Passenger Focus has a board of non-executive members who were appointed following a full competition process regulated by the Office for the Commissioner for Public Appointments (OCPA). Their biographies can be found on the Passenger Focus website.

The board is responsible for setting the strategic direction and main policies of the organisation, and providing corporate governance and oversight of the finances and operations. The board and its committees are set out on page 20.

Board³

Non-executive board members are appointed by the Secretary of State for Transport (Chairman and up to 16 members), the National Assembly for Wales (one member), Scottish Ministers (one member) in line with the Code of Practice issued by the Office of the Commissioner for Public Appointments and the London Assembly (one member).

Board members provide a valuable contribution to the ongoing work of Passenger Focus, from short term input to one-off operational projects, to longer-term relationships and external-facing support for major projects such as franchising and fares and ticketing. Current and recent Board members are listed below:

	Date of original appointment	Date current or most recent appointment ends or ended	Current Term (years)	Audit c'tee	Remuneration c'tee	Statistics governance
Members in post at 31 March 2013						
C Foxall (Chairman)	23 September 2005	23 September 2013	4			√
S M Thomas	1 May 2006	30 April 2013	4			
D Mead	24 July 2005	23 July 2013	4		√	
W E Samuel (Chairman of Audit Committee)	24 July 2005	23 July 2013	4	√		
B Saunders	24 July 2005	23 July 2013	4	√		
N Walmsley (Remuneration C'tee)	24 July 2005	23 July 2013	4		√	√
P Mendelsohn	1 September 2012	31 August 2016	4			
R Linnard	1 February 2013	31 January 2017	4			
S Locke	9 January 2013	8 January 2017	4			
M Lauder	1 February 2013	31 January 2017	4			
I Liu	1 March 2013	28 February	4			

³ More details of the management and structure of the organisation can be found on our website : www.passengerfocus.org.uk/about/management

	Date of original appointment	Date current or most recent appointment ends or ended	Current Term (years)	Audit c'tee	Remuneration c'tee	Statistics governance
		2017				
P Rowen	1 March 2013	28 February 2017	4			
Members where appointments expired during the year to 31 March 2013						
D H Burton	24 July 2005	23 July 2012	3	√		
J Gallacher	1 September 2011	31 August 2012	1			
D Leibling	9 January 2009	8 January 2013	4			√

A further two board members, S Burgess and P Salveson, were appointed on 1 April 2013 and a third, Diane McCrea, was appointed by the Welsh Government on 1 May 2013, all for terms of 4 years.

No board member holds any significant interests which may conflict with their management responsibilities. A register of interests is available on our website.

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

The Board has three committees and their primary purposes are:

- The audit committee supports Passenger Focus on all matters relating to corporate governance, risk and financial management (including the Governance Statement) and oversees the process of internal and external audit. This entails providing advice, guidance and support to the Chief Executive in discharging the role of Accounting Officer.
- The remuneration committee supports Passenger Focus on all matters relating to pay and grading policy and terms of employment.
- The Statistics Governance Group ensures the ongoing integrity of statistical research and compliance with the UK Statistics Authority's Code of Practice for official statistics.

Principal risks and uncertainties

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

Data handling

The Cabinet Office published a review of information security in government which set out a wide range of actions required to improve data security. As a non-departmental public body we are required to comply with the stricter guidelines on the handling of sensitive personal data. Over the year we have maintained policies and procedures to ensure that we have appropriate measures in place for handling any sensitive personal data. These include monthly assurances from information asset owners and quarterly and annual assurances to the Department for Transport. There have been no data-related incidents during the course of the year.

Equalities Scheme

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

Work is ongoing to implement a system whereby we can capture diversity information from passengers who contact us via the Passenger Team, so we can ensure we try to represent the communities we serve.

Diversity information captured for members of staff will be extended to include all the protected characteristics (currently we do not record pregnancy or maternity, marriage and civil partnership, or gender reassignment).

As part of Passenger Focus's ongoing commitment to equality and diversity, all Passenger Focus staff and Board have received refresher Diversity and Inclusion training. Newly appointed Board members will receive similar refresher training by July 2013.

During the recruitment of Board Members, we have encouraged applications from groups that are under-represented in Passenger Focus. The scheme and action plan will be reviewed each year.

Future years

Our workplan for 2013-14 sets out our aspirations. In the next three years Passenger Focus wants to:

- ensure the passenger voice in rail franchising is radically boosted
- achieve at least 70 per cent passenger satisfaction with the way we dealt with their complaint

- increase the size and usefulness of the Bus Passenger Survey
- use our Bus Punctuality Project to refocus the bus industry, local government, and the Traffic Commissioners on that key passenger need: getting more buses on time
- make sure that rail passengers who have made an innocent mistake and do not have a 'valid' ticket will no longer be treated like criminals
- carry out the first National Tram Passenger Survey
- publish research on the experiences of younger passengers.

The organisation has agreed funding of £4,930,000 for 2013-14

Accounts and Audit

Under paragraph 8(2) Schedule 5 of the Railways Act 2005, the Secretary of State for Transport, with the approval of the Treasury, has directed Passenger Focus to prepare a statement of account for each financial year in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of Passenger Focus's state of affairs at the year-end and of its income and expenditure and total recognised gains and losses and cash flows for the financial period.

In preparing the accounts, Passenger Focus is required to comply with the requirements of the Government Financial Reporting Manual. Passenger Focus accounts now form part of the DfT group accounts which are available at www.dft.gov.uk.

These statements have been audited by the National Audit Office at a cost of £21,000 and remuneration has not been paid for any non-audit services.

Disclosures to auditors

As Accounting Officer, so far as I am aware, there is no relevant audit information of which Passenger Focus's auditors are unaware and I have taken all reasonable steps I ought to have to make myself aware of any relevant audit information and to establish that Passenger Focus's auditors are aware of that information.

Anthony Smith

Chief Executive and Accounting Officer
18 June 2013

Remuneration Report **for the year ended 31 March 2013**

The remuneration committee is made up of two non-executive board members: Nigel Walmsley (chairman), and Deryk Mead.

The remuneration committee considers:

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

Any annual increase in the remuneration of board members is agreed between the chairman of the board and the Department for Transport. Members of the remuneration committee have not been involved in decisions relating to their own remuneration. In line with the Civil Service pay freeze during 2012-13 there was no increase in members' remuneration.

The arrangements for changes to the remuneration of executive management team members are the same as for other employees of the organisation. There was a 1 per cent pay increase for staff during 2012-13.

Our simple Annual Bonus Scheme was continued in 2012-13 and 11 awards were made, some for individual contributions and others for team contributions - these totalled £15,000. The bonus scheme recognises exceptional performance by staff in delivering exceptional value, or high levels of professionalism or personal commitment in delivering high-quality work.

All staff, including members of the Management Team, are eligible to participate in the bonus scheme and any awards to members of the Management Team are approved by the Chairman of the Remuneration Committee.

Board members (audited)

Remuneration paid to the non-executive board members for the period to 31 March 2013 is set out below.

	Board fees paid in the period ended		Date of current or most recent appointment	Appointment expiry date
	31 March 2013 £000's	31 March 2012 £000's		
Members in post at 31 March 2013				
C Foxall (Chairman)	52	52	23 September 2009	23 September 2013
S M Thomas	16	16	1 May 2009	30 April 2013
D Mead	16	16	24 July 2009	23 July 2013
W E Samuel	16	16	24 July 2009	23 July 2013
B Saunders	16	16	24 July 2009	23 July 2013
N Walmsley	16	16	24 July 2009	23 July 2013
P Mendelsohn	7	-	1 September 2012	31 August 2016
S Locke ²	-	-	9 January 2013	8 January 2017
R Linnard	2	-	1 February 2013	31 January 2017
M Lauder	2	-	1 February 2013	31 January 2017
I Liu	1	-	1 March 2013	28 February 2017
P Rowen	1	-	1 March 2013	28 February 2017
Members where appointments expired during the year to 31 March 2013				
D H Burton	5	16	24 July 2008	23 July 2012
J Gallacher	7	9	1 September 2011	31 August 2012
D Leibling ¹	-	-	9 January 2009	8 January 2013

¹ Mr Leibling was appointed by the London Assembly and did not receive any fees from Passenger Focus for this appointment.

² Mr Locke is appointed by the London Assembly and does not receive any fees from Passenger Focus for this appointment.

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

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

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

Executive management team (audited)

Members of the executive management team are on continuing contracts and their remuneration, together with their pension benefits, is set out below:

Name	A Smith	N R Holden	D Sidebottom
Job title	Chief Executive	Resources Director	Passenger Director
Start date with Passenger Focus	25 July 2005	7 September 2005	3 January 2006
	£000's	£000's	£000's
2012-13 Salary in £5,000 bands [2011-12 Comparative]	120 - 125 [120 - 125]	65 - 70 [60 - 65]	70 - 75 [70 - 75]
2012-13 Real increase in pension and related [lump sum] at age 60 in bands of £2,500	2.5 - 5 [N/A]	0 - 2.5 [N/A]	0 - 2.5 [0 - 2.5]
Total accrued Pension at age 60 at 31 March 2013 and related [lump sum] in bands of £5,000	25 - 30 [N/A]	20 - 25 [N/A]	15 - 20 [55 - 60]
Cash Equivalent Transfer Value at End date	460	315	316
Cash Equivalent Transfer Value at Start of year to nearest £000	394	274	290
Real increase in Cash Equivalent Transfer Value to nearest £000'	38	23	8

* Figures as at 22 April 2013

'Salary' includes gross salary only. A bonus of £1,364 was paid to N R Holden under the simple Annual Bonus Scheme applicable to all staff and management. No other performance pay or bonuses were awarded in financial year 2012-13 or 2011-12 and there were no benefits in kind or non-cash benefits received by the executive management team during the periods.

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

All the directors are members of the Classic, Premium or Classic Plus Pension Schemes, the main provisions of which are set out further below.

Review of Fair Pay

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. This is summarised in the table below.

	2013-12	2011-12
Mid-point of band of highest paid director's total remuneration (£'000)	122,500	122,500
Median total remuneration (£)	39,744	33,979
ratio	3.1	3.6

The actual mid-point of the banded remuneration of the highest paid director in Passenger Focus in the financial year 2012-13 was £122,500 (2011-12: £122,500). This was 3.1 times (2011-12: 3.6) the actual median remuneration of the workforce, which was £39,744 (2011-12: £33,979).

The main reason for the change in the ratio is due to fixed term staff in post at 31 March 2013 to deliver the smart ticketing programme funded by the Department for Transport.

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

Civil Service Pensions

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 or classic plus), or a whole-career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus 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 per cent and 3.9 per cent of pensionable earnings for classic and 3.5 per cent and 5.9 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is

payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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: <http://www.civilservice.gov.uk/pensions>.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially-assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

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

Real increase in CETV

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

Anthony Smith

Chief Executive and Accounting Officer

18 June 2013

Statement of Accounting Officer's responsibilities

Under paragraph 8(2) Schedule 5 of the Railways Act 2005, the Secretary of State for Transport with the approval of the Treasury, has directed Passenger Focus to prepare a statement of account for each financial year in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of Passenger Focus's state of affairs at the year-end and of its income and expenditure and total recognised gains and losses and cash flows for the financial period. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Director General Rail, as Additional Accounting Officer for the Department for Transport, designated the chief executive of Passenger Focus as Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is responsible, for keeping proper records and safeguarding Passenger Focus's assets, are set out in HM Treasury's *Managing Public Money*.

Governance statement 2012-13

Scope of responsibility

As Accounting Officer I have responsibility for managing and controlling the resources used in Passenger Focus to achieve our aims and objectives as set by the Framework Document agreed with the Department for Transport. In accordance with the responsibilities assigned to me in *Managing Public Money*, I am personally responsible for safeguarding the public funds and organisational assets.

I am responsible to the Director General Rail, the Department for Transport's Additional Accounting Officer, and to Parliament for ensuring value for money, regularity and propriety in deploying all the organisation's resources. This governance statement sets out how my governance responsibilities have been achieved.

Governance structure

Passenger Focus is supported by a board of up to 16 non-executive members. The membership of the board during the year is shown in the management commentary including new board appointments after a number of the previous member's appointments came to an end. The board is responsible for:

- setting the organisation's strategies, policy framework and risk appetite
- monitoring performance against annual workplan objectives and targets
- identifying the central activities required to support delivery of the corporate plan and approving the annual budget
- evaluating the impact of emerging issues or significant divergences from longer term and work plan delivery.

An audit committee of three non-executive board members has been established to support the chief executive through monitoring and reviewing the adequacy and effectiveness within the organisation of:

- corporate governance arrangements
- processes for managing risks
- internal audit and related activity
- management responses to the recommendations resulting from internal audit work
- processes and controls to support this governance statement.

System of internal control

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

The system of internal control has been in place in Passenger Focus for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts, and includes the delegation of budgets and risk ownership to directors and managers. The system of internal control accords with HM Treasury guidance and continues to be reviewed and developed with further improvements in the pipeline.

Capacity to handle risk

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

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

Risk management

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

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

Review of effectiveness

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

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

Board

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

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

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

The Board has deferred reviewing its own effectiveness until 2013-14 to ensure board members appointed in February, March and April could participate in the review. Details of the Boards remuneration and appointment process are available in the Remuneration report and Board appointment process on page 24.

The audit committee

The audit committee met five times during the period to consider:

- the quarterly financial reports
- the draft annual report and accounts
- the policies and procedures to be implemented by Passenger Focus
- the planned activity and results of the external and internal audits
- the adequacy of management response to issues identified by audit on a quarterly basis
- the risk management policy and procedures managed by the executive.

The chairman of the audit committee provided the board with regular reports on the audit committee's activities and any findings concerning internal control.

Other aspects of governance arrangements

The Board also maintains two additional committees to help discharge its governance duties. The Remuneration Committee oversees cross-organisation pay awards, changes to terms of employment and performance related pay, and authorises SCS equivalent-grade pay and conditions. It met once during 2012-13.

The Statistics Governance Group oversees Passenger Focus's compliance with UKSA's Code of Practice for official statistics and promotes good practice in research activities. It met twice during 2012-13.

Internal audit

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

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

The audit assignments this year covered data sharing with third parties, handling of passenger appeal complaints, stakeholder management and the review of core finance and human resource controls. Managers have been assigned responsibility and timescales for implementing the audit recommendations which have either been or are in the process of being completed. Progress against the actions is reported to the audit committee periodically to ensure the findings are being addressed.

Meetings with Department for Transport

The chief executive and Passenger Focus's senior managers meet with senior officials from within the Department for Transport at regular intervals. These meetings usually occur on a quarterly basis and issues discussed include performance against operational plans, financial expenditure and policy development. In addition, Passenger Focus's chairman regularly meets with ministers.

The risk and control framework

The key element of our risk and control framework is the Board's commitment to establishing risk appetite for strategic, programme and operational risks. The audit committee reports twice yearly to the Board where it summarises risk management activity and provides an in-year opinion.

Passenger Focus's head of business services meets with each risk owner at the end of each quarter to review both risks and controls, and subsequently formally discusses these with me. Headline corporate risks were reviewed during the year and the primary risk for the organisation is a loss of reputation which would affect our ability to influence stakeholders to make a difference for passengers.

Data handling and information risks

I am aware that the handling of information and data is a risk to the organisation. Detailed guidance to all staff on this subject has been issued, and further training has taken place during 2012-13. Passenger Focus's Senior Information Risk Owner (SIRO) implements Cabinet Office guidance, as appropriate, through Information Asset Owners (IAOs) who have been appointed across the organisation and who

meet quarterly. As he is required to do, the SIRO has written to me at year-end with his opinion on information risk, and has published this opinion via our website. I accept this opinion and note that there were no reportable data handling incidents during the year.

Anthony Smith

Chief Executive and Accounting Officer

18 June 2013

Audit opinion

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

I certify that I have audited the financial statements of Passenger Focus (the operating name of the Passengers' Council) for the year ended 31 March 2013 under the Railways Act 2005. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Passenger Focus' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Passenger Focus; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts 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 Passenger Focus' affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways Act 2005 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Railways Act 2005; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

19 June 2013

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Expenditure			
Staff costs	2	2,313	2,441
Write down of fixed assets	3	255	-
Depreciation	3	50	63
Other expenditures	3	2,933	2,927
		<u>5,551</u>	<u>5,431</u>
Redundancy provision charge/(write back)	10	4	(13)
		<u>5,555</u>	<u>5,418</u>
Income			
Income from activities	4	322	6
		<u>(5,233)</u>	<u>(5,412)</u>
Net Expenditure			
Interest receivable	5	1	2
Net expenditure after interest		<u>(5,232)</u>	<u>5,410)</u>

A Statement of Other Comprehensive Expenditure has not been prepared as there have been no revaluation movements in either the current year or prior year.

The Accounting Policies and Notes on pages 40 to 50 form part of these financial statements

Statement of Financial Position as at 31 March 2013

		2013	2012
		£000	Restated £000
	Note		
Non-current assets:			
Property, plant and equipment	6	71	294
Total non-current assets		<u>71</u>	<u>294</u>
Current Assets			
Trade and other receivables	7	242	111
Cash and cash equivalents	8	637	492
Total current assets		<u>879</u>	<u>603</u>
Total assets		<u>950</u>	<u>897</u>
Current liabilities			
Trade and other payables	9	891	743
Total current liabilities		<u>891</u>	<u>743</u>
Non-current assets plus/less net current assets/liabilities		<u>59</u>	<u>154</u>
Non-current liabilities			
Provisions	10	11	19
Total non-current liabilities		<u>11</u>	<u>19</u>
Assets less liabilities		<u>48</u>	<u>135</u>
Taxpayers' equity			
Revaluation reserve		-	-
General reserve		48	135
		<u>48</u>	<u>135</u>

The Accounting Policies and Notes on pages 40 to 50 form part of these financial statements

The financial statements on pages 38 to 41 were approved by the Board on 16 May 2013 and were signed on its behalf by:

Anthony Smith

Chief Executive and Accounting Officer

18 June 2013

Statement of Cash Flows for the year ended 31 March 2013

	2012-13 £000	2011-12 £000
	Note	
Cash flows from operating activities		
Net expenditure after interest	(5,232)	(5,410)
(Increase) / decrease in trade and other receivables	(131)	(15)
(Decrease)/ Increase in trade and other payables	148	(459)
(Decrease)/ Increase in provisions	(8)	(1,031)
Add : Write down of fixed assets	255	-
Add : Depreciation	50	63
Net cash outflow from operating activities	<u>(4,918)</u>	<u>(6,852)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	6 (82)	(6)
Net cash outflow from investing activities	<u>(82)</u>	<u>(6)</u>
Cash flows from financing activities		
Grants from parent department	5,145	5,434
Net financing	<u>5,145</u>	<u>5,434</u>
Net (decrease)/increase in cash and cash equivalents in the period	<u>145</u>	<u>(1,424)</u>
Cash and cash equivalents at the beginning of the period	8 492	1,916
Cash and cash equivalents at the end of the period	8 637	492

The Accounting Policies and Notes on pages 40 to 50 form part of these financial statements

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	General Reserve £000
Balance at 1 April 2011	111
Changes in taxpayers' equity for 2011-12	
Retained Surplus/Deficit	(5,410)
Total recognised income and expense for 2011-12	(5,410)
Grant in Aid received from the Department for Transport	5,434
Balance at 31 March 2012	135
Changes in taxpayers' equity for 2012-13	
Retained Surplus/Deficit	(5,232)
Total recognised income and expense for 2012-13	(5,232)
Grant in Aid received from the Department for Transport	5,145
Balance at 31 March 2013	48

The Accounting Policies and Notes on pages 40 to 50 form part of these financial statements

Notes to the Accounts

1. Statement of accounting policies

Passenger Focus is the operating name of the Passengers' Council, previously known as the Rail Passengers' Council. Passenger Focus is a non-departmental public body (NDPB) and is sponsored by the Department for Transport and funded by grant in aid.

These financial statements have been prepared in accordance with the 2012-13 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 Passenger Focus for the purpose of giving a true and fair view has been selected. The particular policies adopted by Passenger Focus are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Income from operating activities

Income from operating activities represents income in respect of co-funding of expenditure on passenger research projects and is accounted for on an accruals basis.

1.3 Tangible non-current assets

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

1.4 Depreciation/amortisation

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

- furniture and fittings - five years
- computer equipment - three years
- leasehold improvements - remaining length of lease.

1.5 Government grants

Grant in aid used to finance activities and expenditure which support the statutory and other objectives of Passenger Focus are treated as financing and credited to the General Reserve when received because they are regarded as contributions from a controlling party.

1.6 Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. The PCSPS is an unfunded multi-employer defined benefit scheme but Passenger Focus is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

Passenger Focus makes payments to the PCSPS of amounts to cover the accruing liabilities of the Treasury in respect of superannuation benefits for persons who have been employed in the funded operations, and in respect of the administrative expenses attributable to the liabilities and their discharge.

1.7 Operating leases

Rental payments due under operating leases are charged to the Net Expenditure Account on the basis of actual rentals payable and any rent free periods are amortised over the term of the lease which fairly reflects usage.

1.8 Taxation

Passenger Focus has no corporation tax liability because funding is provided through grant in aid from the Department for Transport.

1.9 Intra-Government balances

Intra-Government receivables and payables have been analysed in accordance with the Government Financial Reporting Manual.

1.10 Prior-year adjustment

As explained in note 6 the cost and depreciation value of non-current assets at 1 April 2011 have been restated because a number of assets, which were fully depreciated in earlier years and were no longer in use, had been included in the opening balances. The cost and depreciation at 31 March 2011 shown in note 6 have been restated to include only assets in use.

This adjustment has no impact on the net book value at 1 April 2011 or at 31 March 2012 so although the Statement of Financial Position has been restated the figures are unchanged from the previous year's financial statements.

2. Staff numbers and related costs

Staff costs comprise:

	2012-13		2011-12	
	Directly			
	Total	employed staff	Others	Total
	£000	£000	£000	£000
Wages and Salaries	1,814	1,767	47	1,908
Social security costs	165	165	-	183
Other pension costs	334	334	-	350
Total net costs	2,313	2,266	47	2,441

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme but Passenger Focus is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2012-13 employers' contributions of £315,568 (2011-12: £339,000) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay (2011-12: 16.7 to 24.3 per cent), based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2013-14, the rates will continue to be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the costs of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £17,993 (2011-12: £11,547) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £838 (0.8 per cent of pensionable pay) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £2,095.

Civil Service compensation scheme - exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<£10,000	-	3	-	10	-	13
£10,000 - £25,000	1	4	-	3	1	7
£25,000 - £50,000	-	3	-	-	-	3
£50,000 - £100,000	-	1	-	1	-	2
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000 plus	-	-	-	1	-	1
Total number of exit packages	1	11	-	15	1	26
Total cost (£)	10,580	236,527	-	400,000	10,580	636,527

In addition to the redundancy and early departure costs which were provided for in 2010-11 a further provision of £3,659 has been made in the current year. The above table summarises the amounts charged against that provision.

In addition to the redundancy and early departure payments Compensation in Lieu of Notice totalling £11,494 was paid during the current financial year where contracts of employment were terminated before the end of the notice period, and £96 was paid for administration services to the Department for Work and Pensions. These costs were provided for in 2010-11 and the payments have been charged against that provision.

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

Average number of persons employed

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

	2012-13		2011-12	
	Total	Permanent Staff	Others	Total
	Number	Number	Number	Number
Directly employed	42	37	5	45
Other	2	-	2	2
Total	44	37	7	47

3. Administration costs and other expenditure

	2012-13	2011-12
	£000	£000
Running Costs		
Passenger research	1,480	1,314
Travel and subsistence, room hire and recruitment	158	166
Printing, postage and office costs	92	111
External services and support	145	122
Information technology support and maintenance	414	446
Board remuneration	174	189
Rent, rates and utilities	342	425
Training and development	54	71
Telecommunication costs	48	55
External audit fee	21	22
Operating lease rentals (excluding rent)	5	6
	2,933	2,927
Non-cash items		
Write down of fixed assets	255	-
Depreciation	50	63
Total	3,238	2,990

4. Income

	2012-13	2011-12
	£000	£000
Income in respect of joint projects	322	2
Other income	-	4
	322	6

Income in respect of joint projects has increased considerably in the year as work on behalf of the Department for Transport in respect of the smart ticketing programme has resulted in income of £202,000. In addition income of £100,000 has been received from Network Rail for passenger engagement in respect of infrastructure work.

5. Interest receivable

	2012-13 £000	2011-12 £000
Interest on bank deposit	1	2

6. Property, plant and equipment

	Leasehold Improvements (Restated) £000	Information Technology and Fittings (Restated) £000	Total £000
Cost or valuation			
At 1 April 2012	369	38	407
Additions	82	-	82
Write down	(369)	(30)	(399)
At 31 March 2013	82	8	90
Depreciation			
At 1 April 2012	95	18	113
Charged in year	44	6	50
Write down	(127)	(17)	(144)
At 31 March 2012	12	7	19
Net book value at 31 March 2013	70	1	71
Net book value at 31 March 2012	274	20	294
Asset financing			
Owned	70	1	71
Finance Leased	-	-	-
Net book value at 31 March 2013	70	1	71

During the year there was a premature surrender of the lease for our London offices at Drummond Gate and as a result leasehold improvements and fittings with a cost value of £399,000 and depreciation charge to date of £144,000 have been written off.

	Leasehold Improvements (Restated) £000	Information Technology and Fittings (Restated) £000	Total £000
Cost or valuation			
At 1 April 2011	363	38	401
Additions	6	-	6
At 31 March 2012	369	38	407
Depreciation			
At 1 April 2011	47	3	50
Charged in year	48	15	63
At 31 March 2012	95	18	113
Net book value at 31 March 2012	274	20	294
Net book value at 31 March 2011	316	35	351
Asset financing			
Owned	274	20	294
Finance Leased	-	-	-
Net book value at 31 March 2012	274	20	294

The cost value and depreciation at 1 April 2011 has been restated as a number of assets which were fully depreciated in earlier years included in the opening balances have now been removed. Adjusting for these items has had no impact on net book value at 31 March 2012.

All assets remain at cost and have not been revalued as all expenditure was incurred within the last 24 months so a revaluation is not considered to be material to the financial statements.

7. Trade receivables and other current assets

	2012-13 £000	2011-12 £000
Accounts falling due within one year:		
Trade receivables	156	9
Other receivables	8	6
Prepayments and accrued Income	78	96
	242	111

Other receivables include season ticket and bicycle loans to 8 staff (2011-12: 6) totalling £8,231 (2011-12: £6,440).

	2012-13	2011-12
	£000	£000
Amounts in the above figures due from other entities included in the Whole of Government Accounts :		
Balances with other Central Government bodies	146	32
Balances with Local Authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Amounts external to Government	96	79
	<u>242</u>	<u>111</u>

8. Cash and cash equivalents

	2012-13	2011-12
	£000	£000
Balance at 1 April	492	1916
Net change in cash and cash equivalent balances	145	(1,424)
Balance at 31 March	<u>637</u>	<u>492</u>

The bank balance is held with the Government banking service.

9. Trade payables and other current liabilities

	2012-13	2011-12
	£000	£000
Amounts falling due within one year		
Other taxation and social security	69	53
Pension contributions payable	38	31
Trade payables	267	65
Other payables	7	9
Rent Liability	37	151
Accruals and deferred income	473	434
	<u>891</u>	<u>743</u>

The rent liability has been provided because a rent-free period was negotiated for office accommodation, and will be utilised over the lease term. The rent liability includes £9,860 (2011-12: £123,816) which is due within one year. The rent liability has been significantly reduced in the year as the lease for our London office accommodation at Drummond Gate has been surrendered and a new lease has for office accommodation at Fleetbank House London has been undertaken.

	2012-13	2011-12
	£000	£000
Amounts in the above figures due to other entities included in the Whole of Government Accounts :		
Balances with other Central Government bodies	120	113
Balances with Local Authorities	1	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Amounts external to government	770	630
	<u>891</u>	<u>743</u>

10. Provision for liabilities and charges

	2012-13	2011-12
	£000	£000
Redundancy Cost Provision		
Balance at 1 April	19	1,050
Provided in the year	4	-
Provisions utilised in the year	(12)	(1,018)
Provisions written back in the year	-	(13)
Balance at 31 March	<u>11</u>	<u>19</u>

11. Commitments under leases

Operating leases

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

	2012-13	2011-12
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	195	293
Later than one year and not later than five years	557	1,105
Later than five years	-	175
	<u>752</u>	<u>1,573</u>
Other		
Not later than one year	5	6
Later than one year and not later than five years	3	8
Later than five years	-	-
	<u>8</u>	<u>14</u>

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

12. Contingent liabilities disclosed under International Accounting Standard 37

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

There were no other reportable contingent liabilities or contingent assets at 31 March 2013 or 31 March 2012.

13. Related-party transactions

Passenger Focus is an executive non-departmental public body sponsored by the Department for Transport and is regarded as a related party. £5,145,000 was received from the Department for Transport in Grant in Aid for the year and £31,524 was paid for internal audit services for the two years to 31st March 2013. In addition a further £56,050 has been received and £146,465 invoiced but not yet received for joint funding towards the Smart Ticketing programme undertaken by Passenger Focus.

Rental payments for office space in Manchester are made to the Highways Agency who are also regarded as a related party because they are an Agency of the Department for Transport. Payments made to the Highways Agency totalled £77,342 for the year.

Although Passenger Focus works with train operating companies (TOC) to deliver improvements for passengers, the TOCs are not considered to be related parties.

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

14. Events after the reporting period

There are no other reportable events after the reporting period. These accounts were authorised by the accounting officer for issue on 18 June 2013.

15. Financial instruments

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



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