

# Annual report and accounts 2013-14





**Annual report and accounts  
2013-14**

**Report presented to Parliament**

Pursuant to paragraph 11 of schedule 5 of the Railways Act 2005

**Accounts presented to Parliament**

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

**Laid before the Scottish Parliament by the Scottish Ministers**

**Ordered by the House of Commons**

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## **Section 1**

### **Chairman's foreword**

This year I have been delighted to see the Bus Passenger Survey (BPS) spread within the industry. We published the fourth edition of the BPS during the year. Industry, government and stakeholders can now clearly see the benefit of capturing passenger satisfaction and feeding it back to the operators and authorities to target journey improvements for passengers. The bus industry's confidence in this survey is also demonstrated by their commitment to fund additional survey work to widen and deepen our understanding of passenger satisfaction in different parts of the country. Now the industry and local government match what we spend on the survey pound for pound – this really shows its worth.

During the course of the year, we added the Tram Passenger Survey to our output. Not only will this make a difference for tram passengers but, for the first time, it enables comparisons to be made across three different modes of public transport. Our influence in the rail sector has ensured that passengers' experience now forms part of service monitoring through incorporating data from the National Rail Passenger Survey into the franchising process, including targets based on this evidence. We had some particularly bad weather during the winter which severely tested our transport systems. This in turn tested passengers' tolerance of dealing with the inconvenience they suffered. The industry's response to the consequences of the February storms was generally good as it built on some of the lessons from our passenger research and experiences of passengers and local stakeholders affected by the disruption. There is still some work to do to ensure this is sustainable in the longer term and that transport systems have the resilience to deal with likely extremes of weather predicted for coming years.

Importantly, debate about the future of the railways - led by Passenger Focus - is moving away from narrow considerations of performance of the trains themselves towards wider issues of trust. Our research shows this is becoming an important issue for transport users. I have argued that government and industry will not get credit for the huge amounts of investment and energy going into the railways until passengers feel they are really being treated as customers. Still too often passengers who make an honest mistake with their ticket are treated shabbily. The ticketing system still feels complex to newcomers. During disruption passengers need to feel cared for. Communications with passengers are still weak in places – given the level of some ticket prices passengers need to feel more valued. We have kicked this debate off and need to ensure it continues. There are, however, signs that the new franchise replacement process is much more customer-focused in this respect.

Lastly, a significant development during this year has been the potential for extending our remit to cover users of strategic roads (basically motorways and 'A' roads) in England. This demonstrates the acceptance of our approach to assessing consumers' and users' needs and influencing improvements on their behalf.

Assuming the legislation passes the necessary parliamentary stages, we look forward to applying and developing our skills and experience for a different group of transport users. We will develop a new brand for this work and I have been determined to ensure our rail and bus passenger work will continue as before. I step down as chairman of Passenger Focus later this year. This, therefore, is my last annual report.

When we first set up the then new consumer body for the railways nearly 10 years ago, our aim was to be evidence-based and consumer-focused. We wanted to be useful to users of the railway, the industry, the government and all who had an interest in its future; to do things and not merely to criticise. Our use of powerful comparative benchmarking of performance and on seeking out what passengers really wanted from their railway has come a long way since 2005. We were subsequently asked to take on a similar role for the bus industry and for coach and tram providers too. The concept of 'putting passengers first' has been widely accepted. Transport users now play a much larger part in driving the plans and targets of all those industries.

On behalf of passengers, we now advise the Department for Transport about how closely bids for franchises meet passenger priorities. The whole railway industry uses passenger views as criteria to benchmark its performance and that of many individual employees too. Train company bosses now often speak first about passengers when talking about their plans and aspirations. And it is very good to see the rail industry start to deliver good, consistent levels of satisfaction.

Getting involved in the bus industry has been really positive – the best companies are really passenger-focused. And they have readily embraced our research to improve their performance. Yes, much more needs to be done but all the signs are that both industries are heading in the right direction with passengers at the heart of much more of what those industries do. Passenger Focus can claim some of the credit for that.

I wish to thank all the board members I have worked with for their advice, support and challenge. I also want to pay tribute to Anthony Smith and his staff who have worked with as much enthusiasm and commitment as any chairman could wish. And I want to thank industry and government who have been very supportive of our work and for their patience in listening to my arguments.

We began representing rail passengers alone; we now represent millions more passengers using bus, coach and tram services too. Being part of the growth of this organisation has been a privileged and rewarding experience. Passenger Focus looks to its tenth birthday next year. Exciting times lie ahead. But the challenge is to build on the progress made. My only advice is to constantly put the users of transport first and persuade the industry and government to do the same. Therein there will be success for everyone.

## **Section 2:** **Making a difference for all passengers**

### **1. Making a difference for all passengers by understanding their needs**

Our passenger surveys remain our core product and this independent evidence is seen as the official barometer of passenger opinion based on their experience of their journey on the day of the survey. We continued to develop the passenger surveys, the areas, operators and mode of travel surveyed. This year, we added to the family of passenger surveys to include tram for the first time which meant we asked nearly 100,000 passengers about their experience of using trains, buses and trams.

#### **National Rail Passenger Survey (NRPS)**

The survey gathers evidence of overall passenger satisfaction from nearly 60,000 passengers across Great Britain. It provides feedback on 33 factors of service including value for money, punctuality, dealing with delays and facilities on trains and stations.

A significant development this year is the embedding of passenger satisfaction measures in the new rail franchises. Making passengers' experiences core in the franchising targets is a good way of focusing actions on the end-user.

Spring and autumn 2013 results were presented to a number of train operating companies (TOC) to identify and address areas of poor NRPS performance. For example, meetings with Northern Rail have driven their need to improve in a number of areas and the operator has agreed to use NRPS to develop a Customer Experience Strategy Group to help drive passenger improvements. This has been reflected in the recent franchise direct award for Northern Rail where increased NRPS targets have been set.

We support the Government's Open Data Strategy to make our own data available for anyone to use, for any purpose and at no cost. In line with this, we have made our NRPS data available on [data.gov.uk](http://data.gov.uk). We also published a new tool on our website to enable people to analyse the NRPS data to make it more useful to stakeholders and passengers.

#### **Bus Passenger Survey (BPS)**

The BPS is now in its fourth year and many of the operators and authorities show how they had focused efforts on improving their satisfaction ratings. A number of companies responded to the value-for-money scores. As an example, First reduced fares in some of their operational areas. This year, we extended the survey to cover operators in Scotland for the first time as two of them provided funds to enable it to happen. The survey therefore provided vital comparability of passenger satisfaction across an increasingly diverse range of bus operations.

The results of our BPS were very well received out on the road. The Passenger Team visited or discussed the results with over 35 stakeholder organisations across England and Scotland including Passenger Transport Executives (PTEs), Local Transport Authorities and bus operators.

This year there is a real sense that BPS is having a positive impact on both operators and transport authorities through better bus services for passengers and therefore generating higher levels of passenger satisfaction. Also, it is obvious that there is a growing level of respect for BPS amongst those organisations visited. We are seeing a businesslike approach to the development and execution of action plans to address areas of passenger concern, with stakeholders keen to get into the detail of evidence provided by BPS. We are also seeing some fresh ideas and innovations in addressing some of the lower passenger-satisfaction scores.

**Putting passengers first: improving satisfaction with buses**

The BPS highlighted to Centro in the West Midlands that their satisfaction scores were low. In 2012 overall satisfaction was at 79 per cent and their value-for-money score was 50 per cent.

In response, they set up a Bus Satisfaction Working Group with National Express, chaired by Centro. This Group helped focus and drive activity to improve the passenger experience, guided by the BPS scores. By autumn 2013, their overall satisfaction score had increased by 17 per cent to 86 per cent, and their value-for-money score increased by 12 per cent to 62 per cent.

Centro and National Express also focused resources to address key areas of passenger satisfaction: driver attitude; punctuality and reliability; cleanliness of buses; and levels of anti-social behaviour.

This demonstrates what can be achieved.

For instance, First Bus confirmed that the results are eagerly awaited by their various operating businesses covered by our BPS work. The results will definitely be used to see where initiatives have worked in one operating area and can therefore be replicated elsewhere, or where there is a need, locally to focus future efforts. There were also very positive meetings with Lothian Buses and First Glasgow as first time participants in BPS.

Looking ahead we will follow up agreed action plans with operators and/or transport authorities to track the impact that BPS results are having on local services and also discuss plans for the next round of BPS work.

For the first time, we are offering passengers surveyed the option of responding to the questionnaire online or on paper. We expect to increase the survey response rates whilst keeping costs down.

## Tram Passenger Survey (TPS)

Following a successful pilot in 2012-13 we launched the TPS during the year in five tram areas, and the success of the pilot secured funding from three tram areas to help us to significantly boost the number of passengers participating in the survey.

The addition of the TPS has allowed a comparison of the experience of passengers using trains, buses and trams in some areas.

Presenting TPS results out in the field on visits helped foster new working relationships with tram operators and authorities. Again the results were eagerly awaited, receiving a positive response, with PTE areas particularly favouring the added value of being able to compare bus, rail and tram results across their areas.

Measure	Rail		Bus	Tram	Total
	Spring wave	Autumn wave			
<b>Number of passengers surveyed</b>	29,436	29,398	33,985	5,250	98,069
<b>Areas surveyed</b>	National	National	19	5	
<b>Number of operators surveyed</b>	23	23	38	5	
<b>Overall satisfaction</b>	82%	83%	88%	90%	
<b>Value for money</b>	42%	45%	61%	60%	
<b>Punctuality</b>	78%	79%	76%	82%	

## 2. Making a difference for all passengers through long-term planning

Franchise renewal on the railways provides the opportunity for putting passengers' priorities at the heart of their experience, so making *Passenger Power!* a reality. Our own research of passengers' views showed that they knew little about the franchising process, but they did want a chance to influence the decisions made.

### **Putting passengers first: new rail franchises**

We believe that passengers should be at the heart of a franchise specification. Through our research and discussions with the Department for Transport (DfT) and bidders we have constantly pushed for more accountability to, and engagement with, passengers. This means setting out all the different ways in which bidders will engage with passengers and how this information will be used in planning services; and also how operators should publish frequent reports against progress so that passengers can hold them to account.

Crucially, it also means having enforceable targets based on passenger satisfaction written into the specification, thus making passengers' opinions important throughout the life of the franchise rather than just at the start. During the year, we have been using the evidence provided by the NRPS to influence the specifications for Essex Thameside (ET), Thameslink Southern Great Northern (TSGN), TPE (TransPennine Express), Northern franchise as well as the shorter-term awards for West Coast and Southeastern. We are pleased to see many of these aspirations reflected within the franchise for both TSGN and ET.

Combined, these franchises covered as much as 43% of the passenger journeys in Britain.

We have been and will continue to be involved in the East Coast Main-Line franchise renewal. An early development was being asked by the DfT to gather feedback on the service from passengers and others. We secured 700 responses which were provided to DfT to help companies develop their bids. It is important that passengers have a meaningful input.

Given that the passengers are now the biggest single funder of the railways, it is even more important that they get the best deal. This, combined with the evidence gathered by the NRPS, gives us a strong base for influence. They enabled us to contribute effectively to Network Rail's Plans for 2014-19.

### **Putting passengers first: better value for money for rail fares**

We have long pushed for better value-for-money for fares and ticketing in rail. We were delighted when the Secretary of State came to our office to publically announce the conclusions of the Department's review of fares and ticketing.

This included many of the things we had been arguing for:

- Limiting the extent of the annual fare increase by reducing what is known as the 'fare flex' – ie the amount by which individual regulated fares can be increased.
- Trialling a scheme to regulate longer distance off-peak tickets on a single-leg basis to remove the confusing scenario where some single off-peak tickets cost nearly as much as return tickets, and also to offer passengers increased choice and flexibility.
- Trialling tickets which are more flexible that can provide a more attractive offer for commuters travelling fewer than five days a week, or outside peak hours that can better match more modern working patterns
- Making it easier to buy the right ticket in the first place.

### **Putting passengers first: improving bus punctuality**

The BPS tells us that improving punctuality is bus passengers' top priority. In order to understand more about when, where and why buses are delayed and what can be done to help them run on time we launched our bus punctuality project.

We have worked in partnership with operators and councils in Cambridgeshire, Derby, Devon and Hertfordshire and in each of the six English PTEs, studying data on fourteen bus routes and trying to bring about improvements. The routes include both commercial and tendered services, and a mix of operators, urban and rural areas, frequencies and route lengths. As well as giving us a much greater understanding of the causes of delay we have also been able to identify some actual improvements in performance.

We continue to press the transport industries – particularly train and bus – to be open about their performance data. Improved openness and accountability should help drive passenger trust in these services and allow them to make choices.

## **3. Tackling examples of poor passenger service**

This year has seen a number of weather-related events, including floods and high winds, which have been severe enough to cause major disruption to rail travel. Passengers tell us that when things go wrong, what they care about is being informed of the problem and what they can do to minimise the impact. We have therefore conducted audits of information provided when the severe weather

disrupted services and also asked passengers about their experiences. We will continue to keep the industry focused on making improvements so that passengers receive clear advice.

We can sometimes identify particular problems that rail passengers face through our complaints handling. One such issue is the way that rail companies treat passengers who have made an innocent mistake by not having a 'valid' ticket. Often, they are treated unfairly and harshly by being issued with a Penalty and Unpaid Fare Notice. We have been working with the DfT and the industry to find solutions.

We also supported the Consumer Rights Bill passing through Parliament which would give improved legal protection to consumers of all services – including rail and bus passengers. We will continue to work on the implementation of such measures to bring benefits to passengers.

#### **4. Improving access to services for passengers with particular needs**

Following our evidence to the Transport Select Committee's inquiry into 'Access to transport for disabled people' they asked us to repeat a survey we conducted in 2010 into the Passenger Assist scheme which operates on the railways (formerly Assisted Passenger Reservation System) and showed 71 per cent of passengers were satisfied with the assistance. We therefore conducted a 'mystery shopping' exercise in 2013 which showed that satisfaction amongst passengers had gone up to 75 per cent. Satisfaction of the booking element of the service was high, but was let down in some cases by the actual delivery of the assistance.

#### **5. Promoting good practice in complaint handling and providing advice and advocacy**

Passenger Focus is the statutory appeals body for rail passengers in Great Britain (except for inner-London journeys); our passenger contact 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 often 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 appeal complaint - this year we achieved an overall passenger satisfaction score of 80 per cent.

This year we handled 2,341 appeals from passengers. We received a total of 2,987 appeals but 507 were not pursued by the passenger, and 139 not pursued by us due to extenuating circumstances.

As part of our work to improve the way train companies handle passenger complaints, we carried out two complaint reviews with operators. These reviews will

should reduce the causes of complaints by investigating and addressing underlying issues at the first time of asking. As we learn more about the way complaints are handled, we are able to share best practice within the rail industry.

See Table 1 below, for a breakdown of appeal complaints by operator and Fig 1, for the summary of complaints by reason.

**Table 1: Appeal complaints by organisation**

<b>Organisation</b>	<b>Rail appeals</b>
East Coast	497
Northern Rail	178
Southern Railway	178
South West Trains	148
First Great Western	148
Virgin Trains	133
CrossCountry	117
ScotRail	116
Greater Anglia	109
London Midland	105
Southeastern Railway	95
East Midlands Trains	77
First Capital Connect	62
First TransPennine Express	61
Tyne and Wear Metro	50
thetrainline.com	48
Arriva Trains Wales	44
Association of Train Operating Companies	30
c2c	23
Grand Central	23
Network Rail	17
Chiltern Railways	16
IPFAS/RPSS	12
National Rail Enquiries	9
Raileasy	8
First Hull Trains	7
IRCAS	7
Redspottedhanky.com	6
Merseyrail	5
MyTrainTicket	4
Metrolink	4
megatrain.com	2
ebookers.com	1
National Express East Anglia	1
<b>Total appeals pursued</b>	<b>2341</b>

**Fig 1. Appeal complaints by reason (all resolved cases)**



Please note: Fig 1 totals add up to a greater number than Table 1. This is because a single appeal complaint may have several aspects.

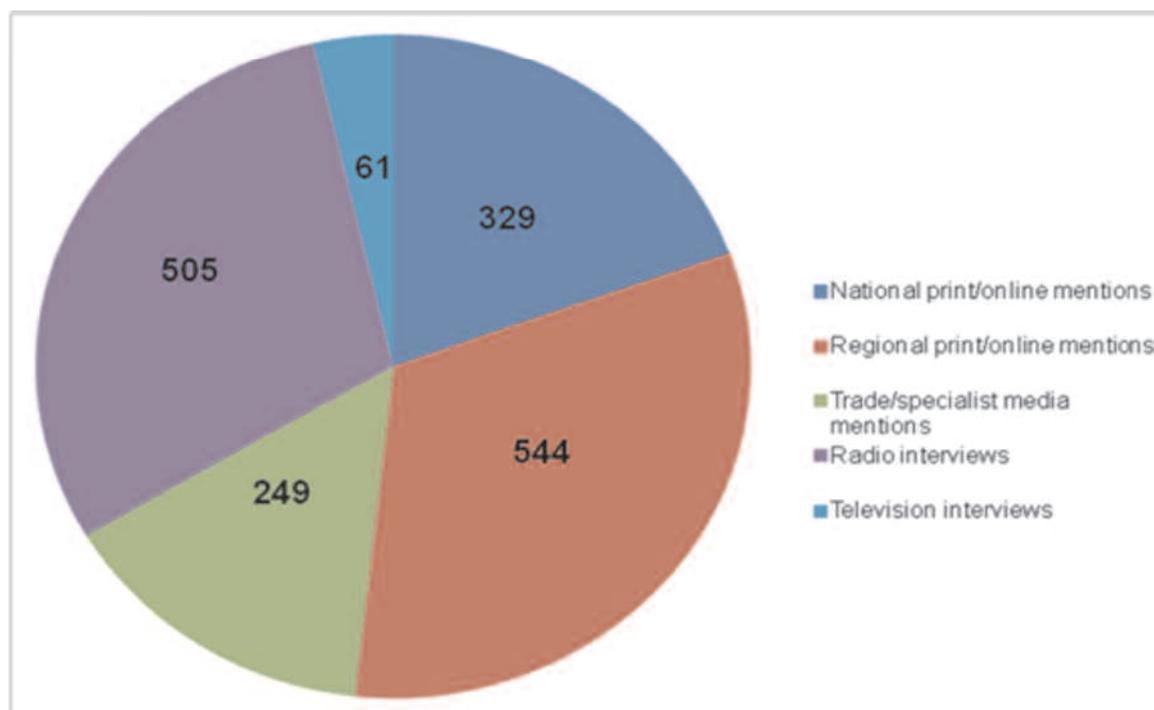
## **6. Increasing awareness of Passenger Focus and its influence and assuring the quality of our work**

Ultimately, we want to ensure that our work is useful to passengers so their experience improves. We therefore measure our own usefulness and influence through a stakeholder survey. It shows that stakeholders are consistently satisfied with our work. In England 73 per cent, Scotland 74 per cent, Wales 75 per cent said they were either 'very' or 'fairly satisfied' with us. There is still room for improvement - particularly how we communicate our successes and effectiveness - and we plan to repeat the survey in 2015 to see what progress we have made.

The number of people who subscribe to our monthly newsletter Passenger Voice has been increasing steadily and now stands at over 11,000. We sent 10 'Exchange' newsletters to rail user groups and have doubled the number of subscribers from around 500 to 1,000.

We continue to provide a 24-hour press office and have increased the reach of our communications with the help of social media with more than 3,000 followers on twitter.

**Figure 2. Media coverage April 2013 – March 2014**



## **7. Raising our profile and the impact of our work in Scotland and Wales**

We continue to make a difference for passengers by addressing priorities and issues specific to Scotland and Wales. Our presence and profile were enhanced by successful board meetings and stakeholder events in both Edinburgh and Cardiff.

### **Scotland**

We ensured passenger priorities were addressed within two new franchises in Scotland for ScotRail and the Caledonian sleeper. We met with all the bidders to provide passenger evidence on priorities for the next franchises. We also helped secure improvements to the ScotRail timetable.

We examined National Rail Passenger Survey results with ScotRail and cross-border operators, focussing on improvements for passenger information during disruption. We worked with Network Rail and Transport Scotland to ensure that passenger disruption is kept to a minimum. We also ensured that passengers have adequate information to make a choice regarding their journey options during the planned Edinburgh-Glasgow Improvement Programme.

We held a conference in Edinburgh to discuss the current state of the railways in Scotland and the potential for innovation and investment in the next franchise and control period.

We undertook two specific pieces of research. The first, with Network Rail and First Group, was about passengers' experience of the works on Edinburgh Waverley station. The second, with Transport Scotland, looked at how to improve passengers' experience of transport integration, focusing particularly on rail and its links with other forms of transport.

This year, as already mentioned, we introduced the BPS into Scotland for the first time with Lothian Buses and First Glasgow as they were keen to contribute to the survey.

We also maintained our presence in Scotland through the bus and rail forums of the six mainland RTPs, presenting on our evidence-based research.

## **Wales**

In Wales, we influenced the National Assembly's cross party Enterprise and Business Committee's charter for the next rail franchise. We ensured passengers' priorities were addressed, with a clear commitment to improving passenger satisfaction, service quality and value for money. We also facilitated passenger engagement in their inquiry.

The Welsh Government's Minister for Economy, Science and Transport has appointed us onto the newly-established Public Transport Users' Advisory Panel, where we will make a difference for passengers by providing advice, experience and expertise on strategic transport issues.

We examined NRPS results with Arriva Trains Wales, focussing on improvements for passengers at stations and on value-for-money. We also responded to Network Rail's plans for modifications to existing stations and proposals for new stations in Wales and submitted evidence on passenger experiences and priorities to the South East Wales Rail Strategy consultation.

We provided evidence to British Transport Police and Network Rail about passengers' perceptions of personal security. Satisfaction with security has improved following increased police patrols, supporting the case for further improvements.

On a broader agenda, we collaborated with other consumer organisations in the Consumer Protection Partnership in Wales. We joined up our experience and thinking with theirs so putting passenger issues on the wider agenda. We also submitted evidence to the Silk Commission on devolution for Wales, aimed at securing passenger benefits and good transport integration.

## **8. We will respect our staff and operate with accountability and transparency**

We make every effort to ensure that we operate in an open, transparent and accountable way. Statements about this are set out in Section 3 – Strategic Report which also includes policies towards our staff on page 16.

**Table 2. Our achievements against our priority objectives for 2013-14**

<b>Priority Objective</b>	<b>Outcome</b>	<b>Benefit for passengers</b>
Increase the size and usefulness of the Bus Passenger Survey	Secured additional third-party funding for BPS which allowed us to more than triple the number of passengers included in the survey	Independent survey provides evidence which allows operators and funding bodies to benchmark services and prioritise improvements for passengers
Carry out the first Tram Passenger Survey	The survey was completed in five areas and we secured third-party funding which allowed us to increase the number of passengers included in the survey	This new survey allowed operators and funding bodies to benchmark services for the first time, prioritise improvements for passengers and compare passenger satisfaction on train, bus and tram services
Publish research on the experiences of younger passengers	Results from Value for Money youth focus groups were published, along with presentations to the British Youth Council working group on transport. The final presentations of the youth issues analysis will take place in 2014-15 when the latest BPS data is available	Ensures young people's priorities are taken into account by service operators and funders
Work to ensure that the passenger voice in rail franchising is radically boosted	Our evidence from passenger research forms the basis of our response to consultation on passenger priorities for franchise specification. We have secured passenger satisfaction targets based on the NRPS as part of the franchise agreements. We are being consulted by bidders on passenger priorities	The passenger voice has been significantly boosted in rail franchising which means services will more properly reflect passenger priorities
Use our Bus Punctuality project to refocus the bus industry, local government and	Our passenger research on attitudes to bus punctuality was published. This, along with our review and analysis of bus punctuality,	We have refocused the industry on punctuality which is a priority for bus passengers, and the Senior Traffic Commissioner can consider

the Traffic Commissioners on the key passenger need of getting more buses on time	supported our response to the Senior Traffic Commissioner's consultation on Bus Punctuality	passenger views when developing punctuality guidance
Make sure rail passengers who have made an innocent mistake and do not have a 'valid' ticket will no longer be treated like criminals	We worked to get an Industry Code of Practice for Unpaid Fare Notices issued whilst we continue to work with stakeholders to secure the revision of outdated powers used by operators	We would expect fewer passengers who made an honest mistake being dealt with harshly
We will deal with some 3,000 rail 'appeal' complaints where train companies and passengers are deadlocked	We dealt with 2,987 cases over the year, and achieved 80% satisfaction rating from passengers about the way we handled the cases against our target of 70%	Our intervention in passenger appeals ensures passengers have an effective advocate to call on when they are unable to make progress on the issues they have raised with train operators

The list of Passenger Focus's products is set out in Appendix A (page 50) and funders for its research in Appendix B (page 51).

## Section 3

### Annual report and accounts 2013-14

#### Strategic Report

This is the ninth annual report and accounts for Passenger Focus, covering the year to 31 March 2014. Our achievements this year for train, bus, coach and tram passengers are listed in Section 2 – Making a difference for all passengers.

#### Nature of business

Passenger Focus<sup>1</sup> 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](#) (DfT) but our operations and policy-making are independent of government.

#### Financial structure of business

Passenger Focus is funded by grant in aid from the DfT and £4,930,000 was received in 2013-14. An initial payment was made to provide the organisation with working capital. Subsequent monthly payments have been made by the DfT based upon actual expenditure in the previous month, and forecast future requirements. Passenger Focus has agreed its funding requirements with the DfT until 2015.

#### Operational performance

Our 2013-14 work plan set out our key objectives for the year which were as follows:

- Increasing the size and usefulness of the Bus Passenger Survey (BPS)
- Carrying out a Tram Passenger Survey (TPS)
- Publishing research on the experiences of younger passengers (drawn from our existing work)
- Ensuring that the passenger voice in rail franchising is radically boosted, making *Passenger Power!* a reality
- Using our bus punctuality project to refocus the bus industry, local government and the Traffic Commissioners on that key passenger need: improving bus punctuality
- Making sure that rail passengers who have made an innocent mistake and do not have a 'valid' ticket will no longer be treated like criminals
- Dealing with some 3,000 rail 'appeal' complaints where train companies and passengers are deadlocked. We will achieve at least 70 per cent passenger satisfaction with the way we handle passenger complaints.

Our progress against these, including our achievements this year, are reported in Section 2 – Making a difference for all passengers.

#### Finance

In 2013-14 the organisation received from the DfT grant in aid of £3,775,000 for operating costs including passenger research, £865,000 for work on the National Rail Passenger Survey (NRPS), £220,000 for work on the BPS and £70,000 for work on the TPS. In addition, this year Passenger Focus has secured funding totalling

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<sup>1</sup> 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.

£366,000 of third party income for joint funded projects which included £219,000 from the DfT.

The organisation incurred net costs of £4.9 million in the year to 31 March 2014. Some 34 per cent (2012-13: 28 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' equity<sup>2</sup> showed a balance of £42,000 at the end of the year and the total grant in aid drawn down during the year was £4,930,000.

### **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, bus and tram industry to make a difference for passengers. Our investment in passenger research over the year totalled £1,681,000, including the NRPS and BPS. The main research projects this year have been highlighted in the Review of Activities, and the full details of our research can be found on our website and in Appendix A.

### **Essential contractual arrangements**

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

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

### **Payment of suppliers**

Passenger Focus endeavours to comply with the Better Payment Practice Code and seeks to pay invoices within 30 days of receipt and during the year paid 99.6 per cent (2012-13: 98.0 per cent) of invoices within 30 days, and 77.8 per cent (2012-13: 71.5 per cent) within 10 working days. The average time taken to pay a supplier during the year was six days (2012-13: seven days).

### **Staff**

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

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<sup>2</sup> 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.

	Male	Female	Total
Non-Executive Directors	5	3	8
Executive Directors	3	-	3
Senior Manager	3	3	6
Staff	17	18	35
Total	28	24	52

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 £56,000 to support improved staff performance, including development and communication of the work plan.

The average number of staff employed remained at 44 in comparison to last year.

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 28. Details of executive directors' remuneration during the year are also set out in the Remuneration Report on pages 23 to 28.

### **Health and safety**

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

### **Social and environmental issues**

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

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

### **Charitable and political donations**

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 Commissioner for Public Appointments (CPA). 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 membership of the Board and its committees are listed below.

### Board<sup>3</sup>

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

	Date of original appointment	Date current or most recent appointment ends or ended	Current Term (years)	Audit and Risk Assurance Committee	Remuneration Committee	Statistics Governance
<b>Members in post at 31 March 2014</b>						
C Foxall (Chairman)	23 September 2005	23 September 2014	1			√
S Burgess	1 April 2013	31 March 2017	4		√	
M Lauder	01 February 2013	31 January 2017	4	√		
R Linnard	01 February 2013	31 January 2017	4			√
I Liu	01 March 2013	28 February 2017	4	√	√	
S Locke	09 January 2013	08 January 2017	4			√
D McCrea	1 May 2013	30 April 2017	4		√	
P Mendelsohn	01 September 2012	31 August 2016	4			√
P Rowen	01 March 2013	28 February 2017	4	√		
P Salvesson	1 April 2013	31 March 2017	4			
<b>Members where appointments expired during the year to 31 March 2014</b>						
S M Thomas	1 May 2009	30 April 2013	4			
D Mead	24 July 2009	23 July 2013	4		√	
W E Samuel	24 July 2009	23 July 2013	4	√		
B Saunders	24 July 2009	23 July 2013	4	√		
N Walmsley	24 July 2009	23 July 2013	4		√	√

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:

<sup>3</sup> More details of the management and structure of the organisation can be found on our website : [www.passengerfocus.org.uk/about/management](http://www.passengerfocus.org.uk/about/management)

- The Audit and Risk Assurance Committee supports Passenger Focus on all matters relating to corporate governance, risk and financial management (including the Governance Statement) and to oversee the process of internal and external audit. This entails providing advice, guidance and support to the Chief Executive in discharging the role of Accounting Officer.
- The 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.

In line with the Cabinet Office guidance for non-departmental public bodies Passenger Focus will be subject to a triennial review by the DfT in the coming year. A triennial review normally has two aims:

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

In a written ministerial statement issued on 25 March 2014 the Minister of State for Transport announced that following the Public Bodies Review, Passenger Focus completed a significant restructure in 2011 and now has a key role in relation to future transport policy, including increasing the passenger voice in future rail franchises. As a result, it has therefore been decided that this review will focus its attention on the second stage.

The DfT plan to complete the second stage of the review during 2014-15 and their completed report will be published.

### **Data handling**

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

### **Equalities Scheme**

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

Work is on-going 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; gender reassignment).

### **Future years**

Our work plan for 2014-15 sets out our aspirations. In the next year Passenger Focus wants to:

- Increase the size and usefulness of the BPS and aim to reach 40,000 bus passengers in the year.
- Radically boost the passenger voice in rail franchise replacement and monitoring
- Use our Bus Punctuality Project to refocus the bus industry, local government, and the Traffic Commissioners on the key passenger need of improving bus punctuality
- Persuade train operators to show more discretion to rail passengers who have made an innocent mistake and do not have a 'valid' ticket, thereby avoiding potential criminal prosecutions.
- Deal with some 3,000 rail 'appeal' complaints where train companies and passengers are deadlocked. We will achieve at least 70 per cent passenger satisfaction with the way we handle passenger complaints.

The organisation has agreed funding of £4,950,000 for 2014-15.

The Government recently announced its decisions following consultation on the future of the Highways Agency and funding of investment in major roads. A new arms-length Government company is to be set up and a five-year funding programme put in place. As part of this it is proposed Passenger Focus be given a new role representing the views of the users of the Strategic Road Network in England. While legislation is needed to bring these changes into effect we hope to start 'shadow running' during 2014-15 getting ready for when the legal changes come into force.

### **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](http://www.dft.gov.uk).

**Anthony Smith**  
Chief Executive and Accounting Officer  
9 July 2014

## Directors' Report

During the year there have been up to 15 non-executive directors who are detailed in the strategic report. In addition there were three executive directors, Anthony Smith (Chief Executive), Nigel Holden (Resources Director), and David Sidebottom (Acting Chief Executive/Passenger Director). Further details are available in the Remuneration Report.

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

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

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

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.

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

The level of unplanned absences due to sickness was 3.3 per cent (2012-13: 4.7 per cent) of total staff time.

There have been no significant events which have occurred since the reporting period. However there is a strong likelihood that we will take on additional responsibility in the coming year for road user representation.

**Anthony Smith**

Chief Executive and Accounting Officer

9 July 2014

## Remuneration Report for the year ended 31 March 2014

The Remuneration Committee is made up of three non-executive Board members: Stuart Burgess (Chairman), Isabel Liu and Diane McCrea. The 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 DfT. Members of the remuneration committee have not been involved in decisions relating to their own remuneration. In 2013-14 there was an increase of one per cent in members' remuneration agreed by the DfT.

The arrangements for changes to the remuneration of executive management team members are the same as for other employees of the organisation. There was a one per cent pay increase for staff during 2013-14.

Our simple annual bonus scheme was continued in 2013-14 and 18 awards were made, some for individual contributions and others for team contributions and 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 2014 is set out below:

	Board fees paid in the period ended		Date of current or most recent Appointment	Appointment Expiry date
	31 March 2014 £000's	31 March 2013 £000's		
<b>Members in post at 31 March 2014</b>				
C Foxall (Chairman)	53	52	24 September 2013	23 September 2014
S Burgess	12	-	01 April 2013	31 March 2017
M Lauder	14	2	01 February 2013	31 January 2017
R Linnard	12	2	01 February 2013	31 January 2017
I Liu	12	1	01 March 2013	28 February 2017
S Locke <sup>1</sup>	-	-	09 January 2013	08 January 2017
D McCrea	11	-	01 May 2013	30 April 2017
P Mendelsohn	12	7	01 September 2012	31 August 2016
P Rowen	12	1	01 March 2013	28 February 2017
P Salveson	12	-	01 April 2013	31 March 2017
<b>Members where appointments expired during the year to 31 March 2014</b>				
S M Thomas	2	16	01 May 2009	30 April 2013
D Mead	6	16	24 July 2009	23 July 2013
W E Samuel	6	16	24 July 2009	23 July 2013
B Saunders	6	16	24 July 2009	23 July 2013
N Walmsley	6	16	24 July 2009	23 July 2013

<sup>1</sup> 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 Employers 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 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	Acting Chief Executive/Passenger Director
Start date with Passenger Focus	25 July 2005	7 September 2005	3 January 2006
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
2013-14 Annual Salary in £5,000 bands [2012-13 Comparative]	120 -125 [120 - 125]	65 -70 [65 - 70]	95 -100 [70 - 75]
2013-14 Remuneration in period in £5,000 bands [2012-13 Comparative]	85 - 90 [120 - 125]	65 - 70 [65 - 70]	80 - 85 [70 - 75]
2013-14 Real increase in pension and related [lump sum] at age 60 in bands of £2,500	0 - 2.5 [N/A] <sup>1</sup>	0 - 2.5 [N/A] <sup>2</sup>	0 - 2.5 [0 - 2.5] <sup>3</sup>
Total accrued Pension at age 60 at 31 March 2014 and related [lump sum] in bands of £5,000	30-35 [N/A] <sup>1</sup>	15 – 20 [25 - 30] <sup>4</sup>	20 - 25 [60 - 65] <sup>3</sup>
Cash Equivalent Transfer Value at End date	519	341	343
Cash Equivalent Transfer Value at Start of year to nearest £000	460	308	316
Real increase in Cash Equivalent Transfer Value to nearest £000	26	10	5

1. A Smith is a member of the premium pension scheme whose members are not eligible for an automatic lump sum payment on retirement.

2. N Holden in his current employment is a member of the premium pension scheme whose members are not eligible for an automatic lump sum payment on retirement.

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

4. N Holden in his previous employment was a member of the classic pension scheme whose members are eligible for an automatic lump sum payment on retirement.

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

Figures in the above table are as at 9 June 2014

Mr A Smith took an unpaid career break from December 2013 to April 2014 and Mr D Sidebottom was appointed Acting Chief Executive during this period. The table shows Annual Salaries at 31 March 2014 together with the remuneration paid in the year to 31 March 2014 to reflect the career break.

'Salary' includes gross salary only. A bonus of £1,364 was paid to Mr N R Holden in 2012-13 under the simple Annual Bonus Scheme applicable to all staff and management. No other performance pay or bonuses were awarded to the executive team in the financial year 2013-14 or 2012-13 and there were no benefits in kind or non-cash benefits made.

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

## 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 organisations workforce. This is summarised in the table below.

	2013-14	2012-13
Mid-point of Band of Highest Paid Director's Total Remuneration (£'000)	122,500	122,500
Median Total Remuneration (£)	37,924	39,744
Ratio	3.3	3.1

The actual mid-point of the banded remuneration of the highest paid director in Passenger Focus in the financial year 2013-14 was £122,500 (2012-13: £122,500). This was 3.3 times (2012-13: 3.1) the actual median remuneration of the workforce which was £37,924 (2012-13: £39,744).

The median pay for 2013-14 is lower than for 2012-13 because above median pay for two members of staff at 31 March 2013 ceased during the current financial year, one providing temporary maternity cover and one post was made redundant at 31 March 2013. All the costs for the post made redundant were reflected in the accounts to 31 March 2013.

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 6.25 per cent of pensionable earnings for classic and 3.5 per cent and 8.25 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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 three 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 three 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 Value**

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

The figures include the value of any pension benefit in another scheme or arrangement which the 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**

The real increase in CETV 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

9 July 2014

## 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 and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume Passenger Focus will continue in operation.

The Director General of the Rail Executive, as Additional Accounting Officer for the DfT, 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 2013-14**

### **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 DfT. In accordance with the responsibilities assigned to me in Managing Public Money, I am personally responsible for safeguarding the public funds and organisational assets. I am responsible to the Director General of the Rail Executive, the DfT'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.

In the year, I took an extended career break of four months and during this period David Sidebottom was appointed as Acting Chief Executive and Interim Accounting Officer. Upon my return I have had formal confirmation that the Accounting Officer's responsibilities have been fully met in the period and there have been no significant issues which either I or our auditors should be made aware of.

### **Governance structure**

Passenger Focus is supported by a Board of 10 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 are responsible for:

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

An Audit and Risk Assurance Committee, comprising 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 and
- processes and controls to support this governance statement.

### **System of internal control**

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

The system of internal control has been in place in Passenger Focus for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and includes the delegation of budgets and risk ownership to directors and managers. The system of internal control accords with Treasury guidance and continues to be reviewed and developed with further improvements in the pipeline.

### **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 and
- Organisational and team risk registers identify the main strategic, programme and operational risks which are assigned to individual risk owners. The risk registers include mitigating actions to eliminate or reduce risks wherever possible. Risks are reviewed at the monthly management team meeting alongside regular reporting to the Audit and Risk Assurance 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 agenda of the Audit and Risk Assurance Committee
- 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 and Risk Assurance 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 through the mechanisms set out below.

### **Board**

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

- consider and approve the Passenger Focus work plans for the period including the allocation of resources to deliver those plans
- monitor progress against the work plans 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 and
- 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](http://www.passengerfocus.org.uk).

The Board has deferred reviewing its own effectiveness until 2014-15 to ensure Board members appointed in the year can participate effectively in the review. Details of the Board remuneration is available in the Remuneration Report on page 24, and the appointment process is outlined in the corporate governance section of the Strategic Report on page 17.

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

The Audit and Risk Assurance 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 and
- the risk management policy and procedures managed by the executive.

The Chairman of the Audit and Risk Assurance Committee provided the Board with regular reports on the Audit and Risk Assurance 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 2013-14. 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 2013-14.

### **Internal audit**

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

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

The audit assignments this year covered; jointly funded or externally funded research, business continuity management, procurement framework, appeals complaint handling, and a review of our core 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 and Risk Assurance Committee periodically to ensure the findings are being addressed.

### **Meetings with DfT**

The Chief Executive and Passenger Focus's senior managers meet with senior officials from within the DfT 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 and Risk Assurance 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 2013-14. 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  
9 July 2014

# 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 2014 under the Railways Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration 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 2014 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 matter**

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 Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the 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.

Sir Amyas C E Morse  
Comptroller and Auditor General

Date 10 July 2014

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

**Statement of Comprehensive Net Expenditure for the year ended 31 March 2014**

	Note	2013-14 £000	2012-13 £000
<b>Expenditure</b>			
Staff costs	2	2,301	2,313
Write down of fixed assets	3	-	255
Depreciation	3	17	50
Other expenditures	3	2,986	2,933
		5,304	5,551
Redundancy provision charge	10	-	4
		5,304	5,555
<b>Income</b>			
Income from activities	4	368	322
		(4,936)	(5,233 )
<b>Net Expenditure</b>			
Interest receivable	5	-	1
Net expenditure after interest		(4,936)	(5,232 )

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

The Accounting Policies and Notes on pages 40 to 49 form part of these financial statements

## Statement of Financial Position as at 31 March 2014

		<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>		
<b>Non-current assets:</b>			
Property, plant and equipment	6	54	71
<b>Total non-current assets</b>		<u>54</u>	<u>71</u>
<b>Current Assets</b>			
Trade and other receivables	7	339	242
Cash and cash equivalents	8	402	637
<b>Total current assets</b>		<u>741</u>	<u>879</u>
<b>Total assets</b>		<u>795</u>	<u>950</u>
<b>Current liabilities</b>			
Trade and other payables	9	753	891
<b>Total current liabilities</b>		<u>753</u>	<u>891</u>
<b>Non-current assets plus/less net current assets/liabilities</b>		<u>42</u>	<u>59</u>
<b>Non-current liabilities</b>			
Provisions	10	-	11
<b>Total non-current liabilities</b>		<u>11</u>	<u>11</u>
<b>Assets less liabilities</b>		<u>42</u>	<u>48</u>
<b>Taxpayers' equity</b>			
General reserve		42	48
<b>Total taxpayers' equity</b>		<u>42</u>	<u>48</u>

The Accounting Policies and Notes on pages 40 to 49 form part of these financial statements

The financial statements on pages 36 to 39 were approved by the Board on 8 July 2014 and were signed on its behalf by:

**Anthony Smith**

Chief Executive and Accounting Officer

9 July 2014

## Statement of Cash Flows for the year ended 31 March 2014

	2013-14 £000	2012-13 £000
	<b>Note</b>	
<b>Cash flows from operating activities</b>		
Net expenditure after interest	(4,936)	(5,232)
Increase in trade and other receivables	(97)	(131)
(Decrease)/Increase in trade and other payables	(138)	148
Decrease in provisions	(11)	(8)
Add : Write down of fixed assets	-	255
Add : Depreciation	17	50
<b>Net cash outflow from operating activities</b>	<u>(5,165)</u>	<u>(4,918)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	6	-
<b>Net cash outflow from investing activities</b>	<u>-</u>	<u>(82)</u>
<b>Cash flows from financing activities</b>		
Grants from parent department	4,930	5,145
<b>Net financing</b>	<u>4,930</u>	<u>5,145</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	<u>(235)</u>	<u>145</u>
Cash and cash equivalents at the beginning of the period	8	637
Cash and cash equivalents at the end of the period	8	402

The Accounting Policies and Notes on pages 40 to 49 form part of these financial statements

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	<b>General Reserve £000</b>
Balance at 1 April 2012	<u>135</u>
<b>Changes in taxpayers' equity for 2012-13</b>	
Retained Deficit	<u>(5,232)</u>
<b>Total recognised income and expense for 2012-13</b>	<u>(5,232)</u>
Grant in Aid received from the DfT	<u>5,145</u>
<b>Balance at 31 March 2013</b>	<u>48</u>
<b>Changes in taxpayers' equity for 2013-14</b>	
Retained Deficit	<u>(4,936)</u>
<b>Total recognised income and expense for 2013-14</b>	<u>(4,936)</u>
Grant in Aid received from the DfT	<u>4,930</u>
<b>Balance at 31 March 2014</b>	<u>42</u>

The Accounting Policies and Notes on pages 40 to 49 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 DfT and funded by grant in aid.

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of 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](http://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 DfT.

## 1.9 Intra-Government balances

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

## 2. Staff numbers and related costs

Staff costs comprise:

	2013-14		2012-13
	Total	Directly employed staff	Total
	£000	£000	£000
Wages and Salaries	1,812	1,745	1,814
Social security costs	164	164	165
Other pension costs	325	325	334
<b>Total net costs</b>	<b>2,301</b>	<b>2,234</b>	<b>2,313</b>

There were no high paid off-payroll appointments in either 2013-14 or 2012-13.

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.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2013-14 employers' contributions of £304,372 (2012-13: £315,568) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay (2012-13: 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.

The contribution rates are set to meet the costs of the benefits accruing during 2013-14 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 £21,388 (2012-13: £17,993) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £1,748 (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 £1,978.

#### **Civil Service compensation scheme - exit package**

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
£10,000 - £25,000	-	1	-	-	-	1
Total number of exit packages	-	1	-	-	-	1
Total cost (£)	-	10,580	-	-	-	10,580

There have been no provisions for redundancy and early departure costs in the current year and the above table summarises the amounts charged against that provision in 2012-13.

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

### Average number of persons employed

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

	2013-14			2012-13
	Total	Permanent	Others	Total
	Number	Number	Number	Number
Directly employed	43	39	4	42
Other	1	-	1	2
<b>Total</b>	<b>44</b>	<b>39</b>	<b>5</b>	<b>44</b>

### 3. Administration costs and other expenditure

	2013-14	2012-13
	£000	£000
<b>Running Costs</b>		
Passenger research	1,681	1,480
Travel and subsistence, room hire and recruitment	186	158
Printing, postage and office costs	106	92
External services and support	169	145
Information technology support and maintenance	308	414
Board remuneration	190	174
Rent, rates and utilities	234	342
Training and development	56	54
Telecommunication costs	29	48
External audit fee	21	21
Operating lease rentals (excluding rent)	6	5
	<u>2,986</u>	<u>2,933</u>
<b>Non-cash items</b>		
Write down of fixed assets	-	255
Depreciation	17	50
<b>Total</b>	<u><u>3,003</u></u>	<u><u>3,238</u></u>

### 4. Income

	2013-14	2012-13
	£000	£000
Income in respect of joint projects	366	322
Other income	2	-
	<u>368</u>	<u>322</u>

Income in respect of joint projects includes £219,000 received from the DfT and £50,000 from HS2 Limited.

## 5. Interest receivable

	2013-14 £000	2012-13 £000
Interest on bank deposit	-	1

## 6. Property, plant and equipment

	Leasehold Improvements £000	Information Technology and Fittings £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2013	82	8	90
<b>At 31 March 2014</b>	<b>82</b>	<b>8</b>	<b>90</b>
<b>Depreciation</b>			
At 1 April 2013	12	7	19
Charged in year	16	1	17
<b>At 31 March 2014</b>	<b>28</b>	<b>8</b>	<b>36</b>
<b>Net book value at 31 March 2014</b>	<b>54</b>	<b>-</b>	<b>54</b>
<b>Net book value at 31 March 2013</b>	<b>70</b>	<b>1</b>	<b>71</b>
<b>Asset financing</b>			
Owned	54	-	54
Finance Leased	-	-	-
<b>Net book value at 31 March 2014</b>	<b>54</b>	<b>-</b>	<b>54</b>

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

All assets remain at cost and have not been revalued as all expenditure was incurred within the last 36 months so a revaluation is not considered to be material to the financial statements.

## 7. Trade receivables and other current assets

	2013-14	2012-13
	£000	£000
<b>Accounts falling due within one year:</b>		
Trade receivables	242	156
Other receivables	12	8
Prepayments and accrued Income	85	78
	<u>339</u>	<u>242</u>

Other receivables include season ticket and bicycle loans to 8 staff (2012-13: 8) totalling £11,955 (2012-13: £8,231).

	2013-14	2012-13
	£000	£000
Amounts in the above figures due from other entities included in the Whole of Government Accounts :		
Balances with other Central Government bodies	186	146
Balances with Local Authorities	5	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	48	-
Amounts external to Government	100	96
	<u>339</u>	<u>242</u>

## 8. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	637	492
Net change in cash and cash equivalent balances	(235)	145
Balance at 31 March	<u>402</u>	<u>637</u>

The bank balance is held with the Government Banking Service.

## 9. Trade payables and other current liabilities

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Other taxation and social security	53	69
Pension contributions payable	36	38
Trade payables	111	267
Other payables	9	7
Rent Liability	27	37
Accruals and deferred income	517	473
	<u>753</u>	<u>891</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 (2012-13: £9,860) which is due within one year.

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Amounts in the above figures due to other entities included in the Whole of Government Accounts :		
Balances with other Central Government bodies	130	120
Balances with Local Authorities	1	1
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Amounts external to government	622	770
	<u>753</u>	<u>891</u>

## 10. Provision for liabilities and charges

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Redundancy Cost Provision</b>		
Balance at 1 April	11	19
Provided in the year		4
Provisions utilised in the year	(11)	(12)
Balance at 31 March	<u>-</u>	<u>11</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:

	2013-14 £000	2012-13 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	195	195
Later than one year and not later than five years	362	557
Later than five years	-	-
	557	752
<b>Other</b>		
Not later than one year	4	5
Later than one year and not later than five years	7	3
Later than five years	-	-
	11	8

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

In November 2012 there was a premature surrender of the lease for our London offices at Drummond Gate. Although no immediate costs to reinstate the premises were incurred because the agreement is between crown bodies there is a remote possibility that 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 2014 or 31 March 2013.

## 13. Related-party transactions

Passenger Focus is an executive non-departmental public body sponsored by the DfT and is regarded as a related party. £4,930,000 was received from the DfT in Grant in Aid for the year and costs of £18,600 have been accrued for internal audit services for the year to 31<sup>st</sup> March 2014. In addition a further £108,135 has been received and £111,078 invoiced but not yet received for joint funded research including the Smart Ticketing programme and Passenger Assist research 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 DfT. Payments made to the Highways Agency totalled £90,120 for the year.

£2,000 was received from HS2 Limited for Passenger Panel research and a further £48,000 invoiced but not yet received.

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 9 July 2014.

#### **15. Financial instruments**

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

## **Appendix A:**

### **List of products**

#### **Research publications**

Anti-social behaviour on buses  
Bus passengers' experience of delays and disruption  
Bus passenger views on value for money  
Bus Passenger Survey Autumn 2013  
Bus punctuality and timetabling  
Giving passenger a voice in bus services  
Giving rail passenger a voice in rail service  
Go-Ahead Bus Passenger Survey  
Midland Metro Tram Passenger Survey 2013  
National Rail Passenger Survey Autumn 2013

- At a glance – Great Britain-wide
- At a glance by train company

National Rail Passenger Survey Spring 2013

- At a glance – Great Britain-wide
- At a glance by train company

Passenger Assist  
Presenting 'right time' performance information to rail passengers  
Smart ticketing – mobile applications  
Smart ticketing – Oxford smartzone  
Smart ticketing – what rail passengers want – July 2013  
Understanding rail passengers – delays and compensation  
Understanding rail passengers – festive travel experiences  
Understanding rail passengers – the average commuter  
Understanding rail passengers – what is the evening travel experience?

#### **Newsletters**

Passenger Voice (12 editions of e-newsletters)  
Exchange (10 editions of e-newsletters)

## **Appendix B: Fundors**

### **List of authorities, operators and other bodies who have provided funding for research**

#### **Bus Passenger Survey**

Abellio (services within Surrey)  
Arriva North West  
Arriva Yorkshire  
City of York Council  
Coventry Voluntary Multilateral Agreement (Centro, De Courcy, National Express  
Coventry, Stagecoach)  
Darlington Council  
Devon County Council  
Essex County Council  
First Glasgow  
First Manchester  
First South West  
First Yorkshire  
Go North East  
Hartlepool Council  
Lothian Buses  
Middlesbrough Council  
Milton Keynes Council  
Merseyside PTE  
National Express West Midlands  
Norfolk County Council  
Northumberland County Council  
Reading Buses  
Redcar and Cleveland Council  
South Yorkshire PTE  
Suffolk County Council  
Stagecoach Manchester  
Stagecoach North East  
Stockton-on-Tees Borough Council  
Tees Valley Bus Network Improvement Board (Darlington, Hartlepool,  
Middlesbrough, Redcar and Cleveland and Stockton-on-Tees Councils)  
Thurrock Council  
West Midlands PTE  
West of England Partnership Area (Bristol City, Bath, North East Somerset, North  
Somerset and South Gloucestershire Councils)  
West Yorkshire PTE (Metro)

**Tram Passenger Survey**

Transport for Greater Manchester  
Centro  
Blackpool

**National Rail Passenger Survey**

British Airports Authority  
First Group plc  
First Great Western  
Grand Central  
Greater Anglia  
Merseytravel  
Network Rail  
Transport for Greater Manchester

**Other research**

Department for Transport  
ScotRail  
HS2 Ltd  
Merseytravel  
Network Rail  
Office of Rail Regulation







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Passenger Focus is the operating name  
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