

## Section 3

### Annual report and accounts 2012-13

#### Management commentary

This is the eighth annual report and accounts for Passenger Focus, covering the year to 31 March 2013. Our achievements this year for train, bus, coach and tram passengers are listed in the Review of Activities.

#### 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](#) but our operations and policy-making are independent of government.

#### Financial structure of business

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

#### Office accommodation

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

#### Operational performance

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

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

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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.

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

## **Finance**

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

The organisation incurred net costs of £5.2 million in the year to 31 March 2013. Some 28% (2011-12: 24%) 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 tax payers' equity<sup>2</sup> showed a balance of £48,000 at the end of the year and the total grant in aid drawn down during the year was £5,145,000, of which £82,000 was deployed on non-current assets as a consequence of our London office move.

## **Non Current-Assets**

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

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

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

## **Resources**

The key strength of the organisation is the influence it is able to exert through the knowledge and expertise gained from targeted passenger research, and by working closely with key stakeholders in the rail and bus industry to make a difference to passengers. Our investment in passenger research over the year totalled £1,480,000, including the National Rail and Bus Passenger Surveys. The main research projects this year have been highlighted in the Review of Activities, and the full details of our research can be found on our website.

## **Essential contractual arrangements**

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

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<sup>2</sup> Tax payers equity can be defined as the total value of tax payers funds in reserves and represents the net value of the assets and liabilities which have been funded by government.

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

### **Pension Liabilities**

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

### **Payment of suppliers**

Passenger Focus endeavours to comply with the Better Payment Practice Code and seeks to pay invoices within 30 days of receipt and during the year paid 98.0% (2011-12 : 98.3%) of invoices within 30 days, and 71.5% (2011-12 : 77.7%) within 10 working days. The average time taken to pay a supplier during the year was 7.0 days (2012-12: 6.75 days). This was calculated by dividing the aggregate amount owed to trade creditors at year end, by the aggregate amount invoiced by suppliers during the year, multiplied by the total number of days in the financial year.

### **Staff**

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

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

The average number of staff employed decreased by 3 in comparison to the prior year. This was mainly as a result of the prior year's average figure being affected by a number of staff being made redundant in June 2011.

We continued to operate our simple bonus scheme during the year so that we could recognise staff who have demonstrated exceptional performance - more details are included in the Remuneration Report on pages 21 to 26.

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

Details of executive directors' remuneration during the year are set out in the Remuneration Report on pages 21 to 26.

### **Health and safety**

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

### **Social and environmental issues**

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

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

### **Charitable and political donations**

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

### **Corporate governance**

Passenger Focus has a board of non-executive members who were appointed following a full competition process regulated by the Office for the Commissioner for Public Appointments (OCPA). Their biographies can be found on the passenger focus website. The board is responsible for setting the strategic direction and main policies of the organisation, and providing corporate governance and oversight of the finances and operations. The board and its committees are set out on page 18.

### **Board**

Non-executive board members are appointed by the Secretary of State for Transport (Chairman and up to 16 members), the National Assembly for Wales (one member), Scottish Ministers (one member) in line with the Code of Practice issued by the Office of the Commissioner for Public Appointments and the London Assembly (one member). Board members provide a valuable contribution to the ongoing work of Passenger Focus 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 and recent Board members are listed below:

	<b>Date of original appointment</b>	<b>Date current or most recent appointment ends or ended</b>	<b>Current Term (years)</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Statistics Governance</b>
<b>Members in post at 31 March 2013</b>						
C Foxall (Chairman)	23 September 2005	23 September 2013	4			√
S M Thomas	1 May 2006	30 April 2013	4		√	
D Mead	24 July 2005	23 July 2013	4			
W E Samuel (Chairman of Audit Committee)	24 July 2005	23 July 2013	4	√		
B Saunders	24 July 2005	23 July 2013	4	√		
N Walmsley (Chairman of Remuneration Committee)	24 July 2005	23 July 2013	4		√	√
P Mendelsohn	01 September 2012	31 August 2016	4			

R Linnard	01 February 2013	31 January 2017	4	
S Locke	09 January 2013	08 January 2017	4	
M Lauder	01 February 2013	31 January 2017	4	
I Liu	01 March 2013	28 February 2017	4	
P Rowen	01 March 2013	28 February 2017	4	
<b>Members where appointments expired during the year to 31 March 2013</b>				
D H Burton	24 July 2005	23 July 2012	3	√
J Gallacher	01 September 2011	31 August 2012	1	
D Leibling	9 January 2009	8 January 2013	4	√

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

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

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

The Board has three committees and their primary purposes are:

The audit committee supports Passenger Focus on all matters relating to corporate governance, risk and financial management (including the Governance Statement) and 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.

### **Data handling**

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

appropriate measures in place for handling any sensitive personal data. These include monthly assurances from information asset owners and quarterly and annual assurances to the Department for Transport. There have been no data related incidents during the course of the year.

### **Equalities Scheme**

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

Work is 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).

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

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

### **Future years**

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

- Ensure the passenger voice in rail franchising is radically boosted.
- Achieve at least 70% passenger satisfaction with the way we dealt with their complaint.
- Increase the size and usefulness of the Bus Passenger Survey.
- Use our Bus Punctuality Project to refocus the bus industry, local government, and the Traffic Commissioners on that key passenger need: getting more buses on time.
- Make sure that rail passengers who have made an innocent mistake and do not have a 'valid' ticket will no longer be treated like criminals.
- Carry out the first National Tram Passenger Survey.
- Publish research on the experiences of younger passengers.

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

### **Accounts and Audit**

Under paragraph 8(2) Schedule 5 of the Railways Act 2005, the Secretary of State for Transport with the approval of the Treasury, has directed Passenger Focus to prepare a statement of account for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of Passenger Focus's state of affairs at the year-end and of its income and expenditure and total recognised gains and losses and cash flows for the financial period. In

preparing the accounts, Passenger Focus is required to comply with the requirements of the Government Financial Reporting Manual.

Passenger Focus accounts now form part of the DfT group accounts which are available at [www.dft.gov.uk](http://www.dft.gov.uk).

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

**Disclosures to auditors**

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

**Anthony Smith**

Chief Executive and Accounting Officer

Xx June 2013

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

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

The remuneration committee considers:

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

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

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

Our simple Annual Bonus Scheme was continued in 2012-13 and 11 awards were made, some for individual contributions and others for team contributions 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 2013 is set out below.

	Board fees paid in the period ended		Date of current or most recent Appointment	Appointment Expiry date
	31 March 2013 £000's	31 March 2012 £000's		
<b>Members in post at 31 March 2013</b>				
C Foxall (Chairman)	52	52	23 September 2009	23 September 2013
S M Thomas	16	16	1 May 2009	30 April 2013
D Mead	16	16	24 July 2009	23 July 2013
W E Samuel	16	16	24 July 2009	23 July 2013
B Saunders	16	16	24 July 2009	23 July 2013
N Walmsley	16	16	24 July 2009	23 July 2013
P Mendelsohn	7	-	01 September 2012	31 August 2016
S Locke <sup>2</sup>	-	-	09 January 2013	08 January 2017
N Walmsley	16	16	24 July 2009	23 July 2013
P Mendelsohn	7	-	01 September 2012	31 August 2016
R Linnard	2	-	01 February 2013	31 January 2017
M Lauder	2	-	01 February 2013	31 January 2017
I Liu	1	-	01 March 2013	28 February 2017
P Rowen	1	-	01 March 2013	28 February 2017
<b>Members where appointments expired during the year to 31 March 2013</b>				
D H Burton	5	16	24 July 2008	23 July 2012
J Gallacher	7	9	1 September 2011	31 August 2012
D Leibling <sup>1</sup>	-	-	9 January 2009	8 January 2013

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

<sup>2</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 the board members have a three month notice period, and no compensation terms for early termination in their contracts.

### Executive management team (audited)

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

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

\* Figures as at 22 April 2013

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

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

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

## Review of Fair Pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisations workforce. This is summarised in the table below.

	2013-12	2011-12
Mid-point of Band of Highest Paid Director's Total Remuneration (£'000)	122,500	122,500
Median Total Remuneration (£)	39,744	33,979
Ratio	3.1	3.6

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

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

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

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

### **Cash Equivalent Transfer Values**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

**Anthony Smith**  
Chief Executive and Accounting Officer

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

## **GOVERNANCE STATEMENT 2012-13**

### **Scope of responsibility**

As Accounting Officer I have responsibility for managing and controlling the resources used in Passenger Focus to achieve our aims and objectives as set by the Framework Document agreed with the Department for Transport. In accordance with the responsibilities assigned to me in Managing Public Money, I am personally responsible for safeguarding the public funds and organisational assets. I am responsible to the Director General Rail, the Department for Transport's Additional Accounting Officer, and to Parliament for ensuring value for money, regularity and propriety in deploying all the organisation's resources. This governance statement sets out how my governance responsibilities have been achieved.

### **Governance structure**

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

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

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

- corporate governance arrangements;
- processes for managing risks;
- internal audit and related activity;
- management responses to the recommendations resulting from internal audit work; 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 2013 and up to the date of approval of the annual report and accounts, and includes the delegation of budgets and risk ownership to directors and managers. The system of internal control accords with 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 Committee.

### **Risk management**

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

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

### **Review of effectiveness**

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

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

## **Board**

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

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

Details of the Boards remuneration and appointment process are available in the Remuneration report and Board appointment process on page 22.

## **The audit committee**

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

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

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

## **Other aspects of governance arrangements**

The Board also maintains two additional committees to help discharge its governance duties. The Remuneration Committee oversees cross organisation pay awards, changes to terms of employment and performance related pay, and authorises SCS equivalent grade pay and conditions. It met once during 2012-13. The Statistics Governance Group oversees Passenger Focus's compliance with UKSA's Code of Practice for official statistics and promotes good practice in research activities. It met twice during 2012-13.

## **Internal audit**

Internal Audit report to the audit 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 Government Internal Audit Standards. This includes an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the organisation's system of internal control.

The Head of Internal Audit gave overall substantial assurance for the year in his annual report. There were 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 data sharing with third parties, handling of passenger appeal complaints, stakeholder management and the review of core finance and human resource controls. Managers have been assigned responsibility and timescales for implementing the audit recommendations which have either been or are in the process of being completed. Progress against the actions is reported to the audit committee periodically to ensure the findings are being addressed.

#### **Meetings with Department for Transport**

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

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

The key element of our risk and control framework is the Board's commitment to establishing risk appetite for strategic, programme and operational risks. The audit committee reports twice yearly to the Board where it summarises risk management activity and provides an in-year opinion. Passenger Focus's head of business services meets with each risk owner at the end of each quarter to review both risks and controls, and subsequently formally discusses these with me. Headline corporate risks were reviewed during the year and the primary risk for the organisation is a loss of reputation which would affect our ability to influence stakeholders to make a difference for passengers.

#### **Data handling and information risks**

I am aware that the handling of information and data is a risk to the organisation. Detailed guidance to all staff on this subject has been issued, and further training has taken place during 2012-13. Passenger Focus's Senior Information Risk Owner (SIRO) implements Cabinet Office guidance, as appropriate, through Information Asset Owners (IAOs) who have been appointed across the organisation and who meet quarterly. As he is required to do, the SIRO has written to me at year end with his opinion on information risk, and has published this opinion via our website. I accept this opinion and note that there were no reportable data handling incidents during the year.

#### **Anthony Smith**

Chief Executive and Accounting Officer  
xx June 2013

## **Audit Opinion**

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

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

#### **Respective responsibilities of the Accounting Officer and auditor**

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

#### **Scope of the audit of the financial statements**

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

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

#### **Opinion on regularity**

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

#### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Passenger Focus' affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways Act 2005 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

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

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse

Date

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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

		2012-13	2011-12
	Note	£000	£000
<b>Expenditure</b>			
Staff costs	2	2,313	2,441
Write down of fixed assets	3	256	-
Depreciation	3	50	63
Other expenditures	3	2,933	2,927
		<u>5,552</u>	<u>5,431</u>
Redundancy provision charge/(write back)	10	4	(13)
		<u>5,556</u>	<u>5,418</u>
<b>Income</b>			
Income from activities	4	322	6
<b>Net Expenditure</b>		<u>(5,234 )</u>	<u>(5,412 )</u>
Interest receivable	5	1	2
Net expenditure after interest		<u>(5,233 )</u>	<u>5,410 )</u>

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

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

**Statement of Financial Position as at 31 March 2013**

		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>		
<b>Non-current assets:</b>			
Property, plant and equipment	6	71	294
<b>Total non-current assets</b>		<u>71</u>	<u>294</u>
<b>Current Assets</b>			
Trade and other receivables	7	242	111
Cash and cash equivalents	8	636	492
<b>Total current assets</b>		<u>878</u>	<u>603</u>
<b>Total assets</b>		<u>949</u>	<u>897</u>
<b>Current liabilities</b>			
Trade and other payables	9	891	743
<b>Total current liabilities</b>		<u>891</u>	<u>743</u>
<b>Non-current assets plus/less net current assets/liabilities</b>		<u>58</u>	<u>154</u>
<b>Non-current liabilities</b>			
Provisions	10	11	19
<b>Total non-current liabilities</b>		<u>11</u>	<u>19</u>
<b>Assets less liabilities</b>		<u>47</u>	<u>135</u>
<b>Taxpayers equity</b>			
Revaluation reserve		-	-
General reserve		47	135
		<u>47</u>	<u>135</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 [date] and were signed on its behalf by:

(Signed) ..... (Chief Executive)  
[date]

## Statement of Cash Flows for the year ended 31 March 2013

		2012-13 £000	2011-12 £000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(5,233)	(5,410 )
(Increase) / decrease in trade and other receivables		(131)	(15)
(Decrease)/ Increase in trade and other payables		148	(459)
(Decrease)/ Increase in provisions	10	(8)	(1,031)
Add : Write down of fixed assets		256	-
Add : Depreciation		50	63
<b>Net cash outflow from operating activities</b>		<u>(4,918)</u>	<u>(6,852 )</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(82)	(6 )
<b>Net cash outflow from investing activities</b>		<u>(82)</u>	<u>(6 )</u>
<b>Cash flows from financing activities</b>			
Grants from parent department		5,145	5,434
<b>Net financing</b>		<u>5,145</u>	<u>5,434</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>			
		<b>145</b>	<b>(1,424)</b>
Cash and cash equivalents at the beginning of the period	8	492	1,916
Cash and cash equivalents at the end of the period	8	<u>637</u>	<u>492</u>

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

## Statement of Changes in Tax Payers' Equity for the year ended 31 March 2013

	Note	General Reserve £000
Balance at 1 April 2011		111
<b>Changes in taxpayers equity for 2011-12</b>		
Retained Surplus/Deficit		(5,410)
<b>Total recognised income and expense for 2011-12</b>		(5,410)
Grant in Aid received from the Department for Transport		5,434
<b>Balance at 31 March 2012</b>		135
<b>Changes in taxpayers' equity for 2012-13</b>		
Retained Surplus/Deficit		(5,233)
<b>Total recognised income and expense for 2012-13</b>		(5,233)
Grant in Aid received from the Department for Transport		5,145
<b>Balance at 31 March 2013</b>		47

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 Department for Transport and funded by grant in aid.

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Passenger Focus for the purpose of giving a true and fair view has been selected. The particular policies adopted by Passenger Focus are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Income from operating activities

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

#### 1.3 Tangible non-current assets

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

#### 1.4 Depreciation/amortisation

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

- Furniture and fittings - five years
- Computer equipment - three years
- Leasehold Improvements - remaining length of lease

### **1.5 Government grants**

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

### **1.6 Pension costs**

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

### **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:

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

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

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

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

## Civil Service compensation scheme - exit packages

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

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

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

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

## Average number of persons employed

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

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

### 3. Administration costs and other expenditure

	2012-13	2011-12
	£000	£000
<b>Running Costs</b>		
Passenger research	1,480	1,314
Travel and subsistence, room hire and recruitment	158	166
Printing, postage and office costs	92	111
External services and support	145	122
Information technology support and maintenance	414	446
Board remuneration	174	189
Rent, rates and utilities	342	425
Training and development	54	71
Telecommunication costs	48	55
External audit fee	21	22
Operating lease rentals (excluding rent)	5	6
	<hr/>	<hr/>
	2,933	2,927
<b>Non-cash items</b>		
Write down of fixed assets	256	-
Depreciation	50	63
	<hr/>	<hr/>
<b>Total</b>	3,239	2,990

### 4. Income

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

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

### 5. Interest receivable

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

## 6. Property, plant and equipment

	Leasehold Improvements (Restated) £000	Information Technology and Fittings (Restated) £000	Total £000
<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>	<b>82</b>	<b>8</b>	<b>90</b>
<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>	<b>12</b>	<b>7</b>	<b>19</b>
<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>

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

<b>Cost or valuation</b>			
At 1 April 2011	363	38	401
Additions	6	-	6
<b>At 31 March 2012</b>	<b>369</b>	<b>38</b>	<b>407</b>
<b>Depreciation</b>			
At 1 April 2011	47	3	50
Charged in year	48	15	63
<b>At 31 March 2012</b>	<b>95</b>	<b>18</b>	<b>113</b>
<b>Net book value at 31 March 2012</b>	<b>274</b>	<b>20</b>	<b>294</b>
<b>Net book value at 31 March 2011</b>	<b>316</b>	<b>35</b>	<b>351</b>
<b>Asset financing</b>			

Owned	274	20	294
Finance Leased	-	-	-
<b>Net book value at 31 March 2012</b>	<b>274</b>	<b>20</b>	<b>294</b>

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

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

## 7. Trade receivables and other current assets

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

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

Amounts in the above figures due from other entities included in the Whole of Government Accounts :

Balances with other Central Government bodies	146	32
Balances with Local Authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Amounts external to Government	96	79
	<u>242</u>	<u>111</u>

## 8. Cash and cash equivalents

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

The bank balance is held with the Government banking service.

## 9. Trade payables and other current liabilities

<b>2012-13</b>	<b>2011-12</b>
----------------	----------------

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

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

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

## 10. Provision for liabilities and charges

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

## 11. Commitments under leases

### Operating leases

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

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	195	293

Later than one year and not later than five years	557	1,105
Later than five years	-	175
	<hr/>	<hr/>
	752	1,573
<b>Other</b>		
Not later than one year	5	6
Later than one year and not later than five years	3	8
Later than five years	-	-
	<hr/>	<hr/>
	8	14

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

## 12. Contingent liabilities disclosed under International Accounting Standard 37

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

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

## 13. Related-party transactions

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

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

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

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

#### **14. Events after the reporting period**

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

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

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