



Passenger Focus

Annual Report and Accounts

2010-11



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Presented to Parliament

Pursuant to Paragraph 11 of Schedule 5 of the Railways Act 2005.

Ordered by the House of Commons

to be printed on 12th July 2011

Laid before the Scottish parliament by the Scottish Ministers

Scottish Government number SG/2011/96

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This publication is available for download at: www.official-documents.gov.uk
This document is also available from our website at: www.passengerfocus.org.uk

ISBN: 9780102973495

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2437593 07/11

Printed on paper containing 75% recycled fibre content minimum

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Dear Secretary of State

**ANNUAL REPORT AND ACCOUNTS
2010-11**

I am pleased to send you a copy of the annual report and accounts for Passenger Focus, the operating name of the Passengers Council, for laying before Parliament, as required by part 4 of schedule 5 of the Railways Act 2005

Yours sincerely,



COLIN FOXALL CBE
Chairman

Section 1

Chairman's Introduction

Rail passengers

Passenger satisfaction continues to rise steadily according to Passenger Focus's much praised National Passenger Survey (NPS). Rail performance, the key driver underpinning passenger satisfaction is also on the up and relatively high levels of government investment in the industry continue or are planned – new trains, electrification and major schemes, such as the re-build of Birmingham New Street and Crossrail. On top of this the government is consulting on the beginnings of a new high speed network, in part to provide a boost to rail capacity.

On the other hand passenger frustrations continue – disruption both planned and unplanned remains a problem – despite broad agreement that the railway has to do better. Fares will rise significantly over the next three years. Passengers are told costs are much higher than they should be and the railway needs to deliver much greater value for money – and by implication until it does, fares suffer. But to the ordinary passenger who is to blame is less important than the service they expect or the value they get for their fares. And although performance and punctuality are improving at the headline level, overall train company figures for satisfaction and performance mask wide route and regional variations. Passenger Focus now publishes the NPS broken down by route. We want to see the rail industry make its key performance data – the 'public performance measure' - available to all. It will then be possible for passengers to see how their train is doing. The data exists and, given that overall the taxpayer continues to subsidise the rail industry, we see no reason why this key information should not be opened up to public scrutiny. This would also help an issue we have uncovered in our research. Trains counted as 'on time' at the end of their journey can be very late along the way. Measuring performance at intermediate stations would really help accountability.

We are also entering new waters with longer franchises and less rigorous specification on what train companies should provide. Whilst this may bring welcome benefits, passengers need to know that their interests will be looked after in these long periods. In particular, passengers will not want to see the industry drift back to being producer - rather than passenger driven - the industry organising things to suit themselves. The airline book ahead type railway may look very efficient but our research shows passengers value the walk up railway. Capacity issues and efficiency may demand changes but reform should be built around the needs of passengers – preserving affordable, off peak flexible tickets for longer distance rail travel and not by subjecting groups of peak time commuters to year after year of double digit fare rises.

Bus and coach passengers

Our work for bus passengers has matured in this year. In July, Passenger Focus published the largest ever single survey of English bus passengers' views. On the face of it, it showed a bus industry delivering what its passengers want, with high levels of overall satisfaction. But digging a little deeper a more complex picture emerged of relatively poor satisfaction

with value for money and significant disparities between performance in different areas and in relation to different aspects of the service.

This ground breaking bus passenger satisfaction work has developed a methodology that is proving useful amongst bus operators, transport authorities and Government. We embarked on joint work with operators, the Passenger Transport Executives and the Welsh Assembly Government to move towards building a national picture of bus passenger satisfaction. We hope to do more of these surveys soon. They lead to huge numbers of changes on the ground and a real focus by the industry on their customers.

We have also carried out work on the changes to local government supported bus services. Local transport authorities have faced very difficult budget decisions on the back of the Government's Comprehensive Spending Review. We called on authorities to consult with passengers on any cuts they were planning to make to their locally supported bus services. We have pulled together a detailed picture across the country of what is happening. This work, valued by industry and Government, informed our contributions on behalf of passengers to the House of Commons Transport Select Committee inquiry into "Bus Services after the Comprehensive Spending Review".

Greater bus punctuality has been identified as passengers' number one priority for improvement. We have worked hard to develop a piece of work which would analyse the factors that cause delays and draw up action plans to tackle them. We have successfully gained support from industry and Government for our proposals. We look forward to working closely with operators, local authorities, regulators and Government on this vital area of work for bus passengers.

We have also worked with industry to understand and make recommendations on the way complaints about bus services are handled. Also we have carried out our first work with coach passengers – often an ignored group who appear very happy with the services they use.

Passenger Focus

The year has been overshadowed by initial doubts about the continued existence of Passenger Focus, followed by a tough, 50% (excluding NPS) budget cut for the current financial year. Our aim is to complete the inevitable re-structuring by maintaining as much of our regular surveys of passengers as we can – asking them to tell us and the industry what they want, what they do and do not like; continuing to represent passengers, backed up by high quality research. Our work on the ground will be less than it was but we will be inventive and find new ways of helping all those involved in the bus, rail, tram and coach industry.

Our staff and board have continued to work hard during this difficult period and they have applied themselves to what has had to be done positively and with good sense. I want to end this annual report by paying tribute to all of them – to those who are to leave us and those who are staying – you did and, I am sure will do, a great job for passengers.

Review of activities

Research on bus and rail - understanding the needs and experiences of passengers

The National Passenger Survey

The National Passenger Survey (NPS) is one of the largest published customer satisfaction surveys of rail passengers in the world and is carried out by Passenger Focus each Spring and Autumn. This year we surveyed over 66,000 passengers (more than 56,000 were from franchised train companies).

2010-11 was an exciting year for the NPS. A number of changes were made to the main, published report, the most important of which was the publication of station and train attributes at a route (i.e. sub-TOC) level. This disaggregation of data enables us to present findings that are a much better representation of an individual passenger's experience.

We also undertook a major independent technical and stakeholder review of the survey, prior to retendering the agency contract in early 2011. The review concluded that the NPS "employs a highly cost-effective approach to achieving its main goal", and suggested some "further incremental refinements", with "no major flaws in the current approach". Many of these refinements were included in the tender document, and may be implemented in future years, funds permitting. The review also noted that the "NPS is widely regarded by stakeholders as very important if not essential". Network Rail gave credence to this finding by ceasing a bespoke survey of their managed stations, and investing instead in a substantial boost to the NPS to fulfil this function.

At a national level the percentage of passengers satisfied with their journey overall in Autumn 2010 reached the highest level the survey has seen since it started in Autumn 1999, at 84%. In Spring 2010 the percentage of passengers satisfied was only slightly lower at 83%, two percentage points up from Spring 2009.

Figures for satisfaction with punctuality and reliability continued to be high for Autumn 2010, with 82% of passengers satisfied with these aspects of their journeys, whilst in Spring 2010 it was significantly up from 80% a year earlier, to 82%. Key driver analysis of NPS data consistently shows satisfaction with punctuality to be most highly correlated with overall satisfaction with the journey.

Satisfaction with value for money was up significantly in both Autumn 2010 (from 45% to 49%) and Spring 2010 (from 40% in 2009 to 48%). Satisfaction with value for money has historically been strongly seasonal, with satisfaction usually noticeable lower in the spring shortly after the fare changes in January. However, the increase in perceptions of value for money this year follows many fare prices being frozen in January 2010 after the low inflation rate in mid-2009 (which feeds into the rail fare increase formula).

Nationally, satisfaction with most station and train factors was either unchanged or improved compared to one year earlier in both Spring and Autumn 2009. The one exception was satisfaction with cleanliness of the exterior of the train, which declined in Spring 2010 compared to one year earlier.

How well train companies deal with delays continues to be the most poorly rated aspect of service (35% satisfied in Spring 2010, 40% in Autumn 2010). Key driver analysis consistently shows that how well a train company deals with delays is most highly correlated with dissatisfaction with the overall journey.

Passenger Focus has established safeguards to ensure the survey is objective and high quality, including a Statistics Governance Group (formally NPS Governance Group), made up of board members, and a stakeholder group representing users of the survey.

Passenger Focus carried out a large number of research surveys in addition to the NPS in 2010/2011, covering rail and bus. Below are a few highlights.

Passenger Information during Disruption

The high levels of dissatisfaction with how train companies deal with delays shown by NPS prompted us to set up a panel of 1000 passengers who reported their experiences back to us whenever they encountered disruption to their journey, between November 2009 and November 2010. About 2000 reports were filed during that period that can be summarised under six themes:

- Treat me with respect
- Recognise my plight
- Help me avoid the problem in the first place
- You got me into this, help get me out
- Act joined up
- I am always delayed, do something about it

A follow up report on performance during the snow of November/December 2010 indicated that during extreme weather there was an additional need to give passengers early warning, preferably before they leave home, so they know if travel is even possible that day.

Our report was described by David Quarmby CBE in his Winter Resilience Review for the Government as “required reading throughout the rail industry for all management, supervisory and other staff in touch with passengers”.

Ticketing

In the summer of 2010 we published two complementary pieces of research. The first measured the queuing times for both ticket offices and ticket vending machines (TVMs) at 33 large regional stations. A key finding of this research was that even when there were long queues at the ticket office, there was often no queue, or a short one, at TVMs. The second piece of research assessed the usability of TVMs, to ascertain what barriers there might be to usage. The research uncovered a number of areas for improvement, relating to screen layout, the programming sequence and how and what information is presented to passengers. We have been working with the rail industry and manufacturers of the ticket machines to highlight what needs to change.

Bus Passenger Survey

In July 2010 we published the first wave of our Bus Passenger Survey, described by Steve Rooney, the editor of Bus and Coach Professional as: “Probably the most important bus passenger research since the industry was deregulated”. The survey reported the experiences of nearly 19,000 passengers across 14 transport authorities. Overall satisfaction with the bus journey was generally good, ranging from 84% to 92% across the 14 areas. In line with other modes, punctuality is an issue. Satisfaction with whether the bus arrived on time ranged from 67% to 84%. Value for money was one of the biggest issues for fare-paying passengers, where satisfaction ranged from 46% to 68%. We also found a wide variation in the availability of bus stop facilities.

Accessibility – Assisted Passenger Reservation System

In 2008 we published the results of our survey on the efficiency of assistance for disabled travellers using the Assisted Passenger Reservation System (APRS). The results showed that the industry had some way to go to give disabled passengers full confidence in using the railway. This year we have undertaken another broadly similar survey, covering the trains and stations of all franchised operators, the trains of all open-access operators and all Network Rail stations. Although there have been improvements with certain aspects of the journey since our last survey, the provision of information and assistance still appears to be inconsistent. We are working with the industry to drive through further improvements and have created best practice guidelines which would ensure a smooth journey for disabled passengers.

More details of all research undertaken throughout the year can be found at www.passengerfocus.org.uk/research

Rail campaigns - Securing tangible, measurable improvements for passengers

Stations

During the year we published reports into what passengers want at Luton, Barking and Clapham Junction stations – all three reports emphasised the importance of information, toilets and staff. We also produced reports into unstaffed stations in Wales, on passengers' opinions on ticket gates and continued our work with the Station Travel Plan initiative.

Fares

We have continued to advocate that long-distance off-peak single fares should be reduced to half the price of a return and are pleased to report that East Coast have listened and introduced this as a trial on 22 May 2011.

This is just the tip of the iceberg and we continue to push hard for train companies to stop excessively increasing their prices or forcing passengers into more expensive peak travel – on this issue we keep a consistent and high profile voice via the media.

Passenger focused franchises

During the year we published our responses to plans for the Inter City East Coast, Greater Anglia and Essex Thameside franchises and began work asking passengers what they want in the forthcoming West Coast franchise. We also responded to Government proposals to change franchise policy, emphasising the need for greater transparency and accountability within franchises and the importance of including targets based on passenger satisfaction.

Route Utilisation Strategies

We continue our efforts to influence the Route Utilisation Strategies (RUSs) that identify capacity pressures and which plan how the rail network can develop and respond. We took part in four consultations over the year, carrying out research with passengers, facilitating meetings with local rail user groups and preparing our own submissions.

Punctuality

We completed research (jointly with East Anglia, CrossCountry and Northern) looking at how passenger satisfaction with punctuality was related to actual arrival times. Commuter satisfaction drops after one minute of delay, and falls by five points for every further minute of lateness whilst business/leisure travellers are more tolerant, with four to six minutes' grace before satisfaction drops. Passengers are also later on average than official statistics suggest because, in the afternoon peak, most passengers have disembarked before the destination, suggesting we need monitoring of punctuality at intermediate stops. We have also worked with the Office of Rail Regulation to research what train performance statistics passengers would like to see made public and this work will be published shortly.

Accessibility

This year accessibility work has continued to focus on the Assisted Passenger Reservation service (page 7). We have welcomed ATOC's proposals to improve the booking system. However we are concerned to ensure that practical benefits are delivered for passengers and consistency of service delivery is improved. We are scoping research into factors that open and close the doors to travel for people with accessibility issues.

Planned disruption

Passenger Focus has identified a number of engineering projects where there was scope for reducing the disruption caused to passengers. We have also engaged with Network Rail and TOCs to ensure that where work is happening to replace track and signals, on a like-for-like basis, opportunities are also taken to improve services for passengers.

Successes include the reinstatement of train services during the five week closure at Nottingham in 2013 for two thirds of the duration, when the originally agreed proposals delivered none; at our instigation, Network Rail are retrospectively reviewing where line speeds can be improved at no additional cost on the Settle-Carlisle route following approx £100m of renewals expenditure.

We also undertook research looking at information during the reading engineering works and found that industry efforts to coordinate information about the work in the run up to the closure and during the disruption made a positive difference to passengers' experience. The case study should give the industry a good steer on planning passenger communications for future weekend and bank holiday disruption.

Passenger Focus in Scotland

To improve Scottish rail services, Passenger Focus has a dedicated board member based and working for passengers in Scotland. As a consequence of our sustained lobbying and to inform future decisions regarding the introduction of new trains in Scotland we undertook a project with Transport Scotland to understand passengers' views about the design of new rolling stock for ScotRail services. The research with passengers is designed to provide advice about passenger issues in respect of the internal specification of the new trains and the facilities to be provided on them.

Passengers continue to hold ScotRail's trains and stations in high esteem with 86% satisfied with their overall journey. Passenger Focus's survey found ScotRail's overall satisfaction score beat the GB rating of 84%. ScotRail received better marks for passengers' top priorities, including value for money (57% compared with the GB score of 49%), punctuality (86% compared with 82%) and getting a seat (72% versus 68%).

Passenger Focus in Wales

Passenger Focus continues to take action to support passenger issues in Wales and retains a dedicated board member based in Wales.

The high number of unstaffed stations in Wales and low passenger satisfaction with stations led Passenger Focus to commission a detailed investigation of passengers' experiences of using unstaffed stations. This is driving improvements in key areas. After raising passengers' concerns about information at times of disruption, we are very pleased to see real-time customer information screens are being installed at every station, with 110 stations out of 244 done and a programme for the remainder by early 2014.

Safety and Security

The Potters Bar inquest opened at the beginning of June 2010, more than eight years after the event which gave rise to it. We attended the inquest during June and July, which took evidence from more than 180 witnesses.

Europe

The harmonisation of passenger rights continues to be a hot topic within the European Commission and Parliament. In June 2010 the UK Government extended our remit to include complaints from passengers on some international journeys - in accordance with the European directive on rail passenger rights. The debate also continues with bus and coach passenger rights. Passenger Focus will continue to promote British rail passengers' interests with the European Commission and Parliament and to be an active member of the European Passengers' Federation.

Details of Passenger Focus campaigns can be found at -
www.passengerfocus.org.uk/ourwork

Bus campaigns - Securing tangible, measurable improvements for passengers

Cuts to bus services

Following the Comprehensive Spending Review (CSR) in October 2010 a number of adjustments and reductions to public spending were announced which affected local bus services, the most significant of which were the 28% cut in funding for local authorities over the period of the CSR.

At a time of cut-backs it was important that the industry did not marginalise passengers. It was crucial that passenger views were sought and taken into account when determining priorities. Passenger Focus was in a unique position to capture these views.

As a result, we wrote to all local transport authorities in November 2010 asking them to let us know if they were contemplating significant reductions to supported bus services and drawing attention to the importance of transparency and effective public consultation.

We were encouraged by the recognition, from a number of local authorities and other industry stakeholders, of the positive role Passenger Focus played in facilitating effective consultation, empowering local passengers to engage constructively with their local authority and mapping out a national picture of the impact on bus passengers.

Our important work in this area informed our response to the Transport Committee's inquiry - Bus Services after the Spending Review.

Working locally

During 2010-11 Passenger Focus brought together a team to work at a local and regional level to help get a better deal for bus, coach and tram passengers.

Armed with the results of the Bus Passenger Survey the team started talking with operators, transport authorities and a range of other stakeholders. This ensured that the needs, expectations and what bus users wanted most to see improved were articulated to the key people responsible for planning and delivering local bus services.

Working on behalf of passengers the team secured a range of improvements including:

Address barriers and incentives to travel by bus, including key passenger issues such as punctuality and reliability. Results of our work in Plymouth, in particular the levels of passenger dissatisfaction with punctuality, has led to the creation of a Bus Punctuality Improvement Partnership in the city involving the city council, operators and Passenger Focus. The partnership will set out shared targets to improve punctuality.

Improve performance across a wide range of factors important to bus passengers. Our work in Cambridge highlighted specific dissatisfaction with interchange information at Cambridge rail station for passengers wishing to catch a bus nearby. Working with the city council and operators, work has been completed to more effectively direct passengers from the rail station to nearby bus stops which have also been improved with better signage for passengers. Essex County Council and local bus operators have been persuaded using BPS data to improve passenger information and services at Harlow and Colchester.

Bring local authorities and bus operators together to work in the common interest of the passenger. BPS data has been used to inform Confederation of Passenger Transport

input into Quality Partnerships. BPS data was also used to draw up an action plan with Cumbria County Council and Stagecoach.

Drill down into drivers of value for money at a local level. In Medway punctuality has been driven up the agenda of both the local authority and Arriva because the BPS highlighted the negative impact which poor performance was having on perceptions of value for money.

Drive transport planning Cambridge County Council has used BPS as an indicator in its Sustainability Plan.

Empowering passengers with information, advice and advocacy

Promote good practice in complaint handling and provide advice and advocacy to complainants

A total of 14,487 passengers contacted Passenger Focus in 2010-11.

Our passenger advice team negotiates with rail companies when a passenger is unhappy with the way a train company has responded to their complaint. We call these appeal complaints and received 2,333 in 2010-11.

We analyse the types of problem we are contacted about to improve our understanding of passengers' overall concerns.

How did we do?

Passenger Focus asks passengers how satisfied they are with the way their complaint was handled. This is so we can improve the service we provide to passengers.

This year, 89% of passengers who responded to our survey were satisfied with the way we handled their appeal complaint.

Passenger redress

We use our influence and knowledge of the industry to negotiate an outcome for individual passengers and get things put right to stop problems happening again. This year we achieved an additional £62,560 from train companies in compensation or goodwill gestures for passengers.

The data below shows the number of appeals opened month on month during the year by Passenger Focus. This is by service provider in league table order.

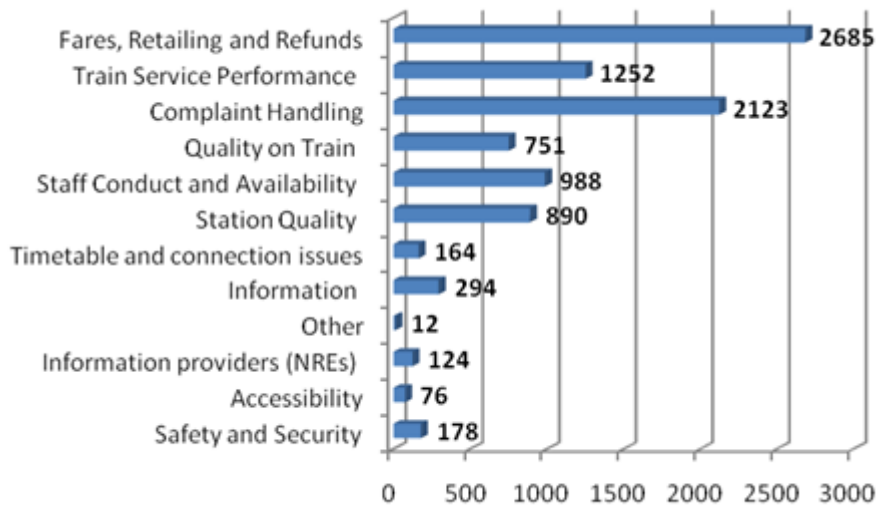
TOC	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
East Coast	41	32	32	40	46	26	30	33	31	35	32	51	429
First Great Western	21	17	15	26	21	23	33	22	19	25	27	26	275
Virgin Trains	22	17	16	22	12	14	13	11	7	23	29	25	211
South West Trains	15	25	13	11	12	21	17	14	6	12	23	20	189
Cross Country	5	10	9	8	6	9	14	11	7	14	11	21	125
East Midland Trains	18	6	5	10	30	15	6	13	4	2	3	9	121
South Eastern Rail	12	8	16	11	4	8	6	11	8	12	14	11	121
National Express EA	13	9	7	6	9	8	11	10	10	14	7	5	109
First Scotrail	12	13	4	10	6	7	6	9	5	6	13	13	104
Northern Rail	8	4	6	9	6	8	7	9	7	14	8	11	97

Southern Rail	12	12	8	7	5	8	4	9	2	7	11	11	96
The Trainline.com	9	6	17	5	8	5	7	9	4	6	8	4	88
London Midland	4	11	11	10	5	4	4	6	2	7	12	11	87
First TransPennine Express	11	4	4	4	8	6	7	5	9	13	4	5	80
First Capital Connect	3	6	5	4	1	6	1	1	1	2	1	2	33
Arriva Trains Wales	3	2	1	4	3	2	3	4	2	2	0	3	29
NRE	3	1	3	2	2	2	4	2	3	1	0	3	26
Merseyrail	0	3	1	0	1	4	2	4	1	3	0	0	19
Grand Central	3	1	1	3	0	1	0	2	1	2	3	1	18
Chiltern	1	0	2	1	1	2	0	0	1	4	3	1	16
Raileasy	0	2	2	1	3	1	1	1	1	0	2	0	14
c2c	0	0	1	1	0	0	0	3	1	3	2	3	14
ATOC	0	0	2	0	1	3	1	0	0	0	1	1	9
Network Rail	0	1	1	0	2	1	0	0	1	1	1	1	9
Nexus	0	0	1	1	0	1	0	0	0	0	0	3	6
IRCAS ¹	1	0	0	0	1	0	0	1	0	0	1	1	5
First Hull Trains	0	0	0	0	0	0	0	0	0	2	0	0	2
National Express EC	0	0	1	0	0	0	0	0	0	0	0	0	1
Metrolink	0	0	0	0	0	0	0	0	0	0	0	0	0
IPFAS ²	0	0	0	0	0	0	0	0	0	0	0	0	0
Wrexham and Shropshire	0	0	0	0	0	0	0	0	0	0	0	0	0
Eurostar	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	217	190	184	196	193	185	177	190	133	210	216	242	2333

¹ Independent revenue collection and support

² Independent penalty fares appeal service

The graph below shows the types of complaints we have received over the last twelve months.



Note: we record each cause for concern from appeal complaints separately, so the complaint types above will normally always exceed the total number of 'appeal complaints'.

Being visible, accessible and understood by passengers and stakeholders

Passenger Focus produces quarterly newsletters for Great Britain, Scotland and Wales along with a further nine English regional editions. These include the latest work of Passenger Focus and are emailed out to 700 stakeholders and posted to a further 1,500 people, all with an interest in the rail industry from local authority transport departments to MPs, MSPs, AMs, journalists and government departments.

A bus, coach and tram edition is also produced four times a year which is again posted to key contacts and also sent out with Bus Users UK's magazine, with a distribution of 1,700 people throughout Great Britain.

Over the last year the communications team has proofed, branded, designed, and published 78 publications.

Raising the media profile

Passenger Focus continued to maintain a high media profile during 2010-11, with 59 national and regional broadcast interviews and 450 radio interviews. Passenger Focus also secured 527 pieces of national coverage, 664 regional mentions and over 300 trade pieces, many of which were extensive articles. Having established ourselves as a credible and informative organisation, many journalists approach Passenger Focus spokespeople weekly for comment on rail stories.

Events

Passenger Focus speaks at a large proportion of the industry's high profile events ensuring the passenger voice is heard. In the last twelve months we spoke at 55 external events.

Welsh Language Scheme

We continue to abide by the Welsh Language Scheme we have in place. Publications solely about Wales and Welsh passengers have been translated and published.

Section 3

Annual report and accounts 2010-2011

Management commentary

This, the sixth annual report and accounts for Passenger Focus; covers the year to 31 March 2011. Secondary legislation was passed in February 2010 which expanded our role to include bus, coach and tram representation in England (outside London). Our achievements this year for train, bus, coach and tram passengers are listed in the Review of Activities. During the period the government announced that Passenger Focus would be subject to substantial reform which resulted in a restructuring programme which started in March 2011. The restructuring will lead to lower staff numbers and will incur redundancy costs which have been provided for in these financial statements.

The introduction of additional spending controls by the government in June 2010 meant that a number of key pieces of passenger research to drive improvements for passengers which had been included in our business plans for 2010-11 could not be completed.

The change to our plans due to the spending controls resulted in lower than forecast net expenditure for the year before taking into account the redundancy provision.

Nature of business

Passenger Focus is the operating name of the Passengers Council, previously known as the Rail Passengers Council, which was officially constituted on 25 February 2010 as a result of an amendment to the Railways Act 2005. Passenger Focus 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.

Finance

The organisation is funded through grant in aid from the Department for Transport and £8.7million was received in 2010-11, of which £1.1 million was allocated for work on the National Passenger Survey, £2.2 million allocated to bus, coach and tram passenger representation and £130,000 to bus mystery traveller research. In addition this year Passenger Focus has secured funding totalling £141,000 of third party income for joint projects.

In June 2010 we moved offices in London and in February 2011 we moved offices in Manchester. New lease agreements have commenced for both offices and costs have been included in this year's accounts for building works and will be amortised over the period of the lease. Both moves were necessary and mean Passenger Focus now only occupies premises on the civil estate.

Change

We started a consultation with staff during March 2011 about proposed restructuring to achieve cost savings of about 50% (excluding NPS). The restructuring proposals would see around 20 fewer staff and some of these reductions will be achieved through voluntary departures but the remaining reductions may mean compulsory redundancies. The costs for

the redundancies have been provided for in the 2010-11 accounts. We hope to complete the restructuring of the organisation by 3 June 2011.

In addition to achieving savings through reducing staff numbers we are also exploring further opportunities for cost savings from our offices in Manchester and London which will require more flexible use of the office space.

Staff

Our staff must take credit for the successes this year and deserve thanks for their hard work and contribution over the year to make sure we achieved our business plan objectives including the extension of our role to include bus, coach and tram passenger representation.

During March 2011 we embarked on a restructuring process to meet the cuts to our future funding which may result in redundancies. The consultation with staff on these substantial changes has generated some useful proposals about how we can continue to make a difference for passengers with reduced numbers of staff.

The average number of staff employed increased by one in comparison to the prior year because during 2009-10 we phased our recruitment as we built our capacity and expertise to handle the additional responsibilities for bus passenger representation.

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 24 to 28.

Over the year the level of unplanned absences due to sickness was 3% (2009-10 : 3%) of the total staff time.

Details of executive directors' remuneration during the year are set out in the Remuneration Report on pages 24 to 28.

Corporate governance

Passenger Focus has a board comprising 10 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 pages 19 to 20.

Equalities Scheme

Following consultation with three groups of disabled passengers, Passenger Focus published a Disability Equality Scheme in December 2007 which included our action plan. The scheme is updated on a yearly basis and we continue to make progress against the actions we have committed to, including developing the website in line with the "See it right" standards and ensuring equality and accessibility considerations are included as part of our work plans. We are currently developing a new Single Equality Scheme in line with the New Equality Act. We continue to promote awareness on disability and equality amongst staff by training sessions, and always encourage a diverse and open internal working environment. Improving the reliability of the Assisted Passenger Reservation System (APRS) has continued to be a priority. We have worked with the Department for Transport (DfT) and the

Association of Train Operating Companies (ATOC), and in the coming year we anticipate a radical improvement to the infrastructure the APRS system uses. We are planning further research into APRS this coming year to assess if progress is being made in delivering a reliable assistance service to those who book it. The scheme will be reviewed again in 2011-12. We are also developing our work with organisations that represent passengers with disabilities. We seek to support their work and to learn from them.

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, have been refurbished to provide a modern working environment for staff.

Charitable and political donations

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

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 implemented 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.

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.

Board

Non-executive board members are appointed by the Secretary of State for Transport (Chairman and no more than 12 members), the National Assembly for Wales (one member), Scottish Ministers (one member) and the London Assembly (one member) in line with the Code of Practice issued by the Office of the Commissioner for Public Appointments. Board members are hands-on and provide a valuable contribution and guidance to the ongoing work of Passenger Focus. Contributions vary from short term input to one-off operational projects to longer term relationships and external-facing support for route utilisation strategies. Current and recent Board members are listed below:

	Date of original appointment	Date current or most recent appointment commenced	Current Term (years)	Statistics Governance	Audit Committee	Remuneration Committee
C Foxall (Chairman)	23 September 2005	23 September 2009	4	√		
D H Burton	24 July 2005	24 July 2008	4		√	
P M Davis	24 July 2005	24 July 2008	See note below	√		
J A King	24 July 2005	24 July 2009	See note below			
J A King	1 March 2011	1 March 2011	See note below			
C E Knights	24 July 2005	24 July 2008	3		√	√
D Langslow (Chairman of Audit Committee until June 2010)	24 July 2005	24 July 2008	3	√	√	
D Leibling	9 January 2009	9 January 2009	4	√		
D Mead	24 July 2005	24 July 2009	4			√
W E Samuel (Chairman of Audit Committee wef July 2010)	24 July 2005	24 July 2009	4		√	
B Saunders	24 July 2005	24 July 2009	4		√	
M J Seale	24 July 2005	24 July 2008	See note below			√
S M Thomas	1 May 2006	1 May 2009	4			
N Walmsley (Chairman of Remuneration Committee)	24 July 2005	24 July 2009	4	√		√

Note: Mr Phil Davis, Mr James King and Mr Marc Seale retired from the Board on 23 July 2010. Mr King was subsequently appointed to the Board of Passenger Focus with effect from 1 March 2011 after an open competition conducted by Transport Scotland on behalf of Scottish Ministers.

Mr Samuel was appointed Chairman of the Audit Committee from 9 June 2010 when Dr D Langslow stepped down.

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 primary purpose of the audit committee is to support Passenger Focus on all matters relating to corporate governance and financial management (including the statement on Internal Control) 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 primary purpose of the remuneration committee is to support Passenger Focus on all matters relating to pay and grading policy and terms of employment.

Operational performance

Our 2009-12 corporate plan sets out how we plan to deliver our seven main objectives over the three years, and identifies our priorities for each of the seven objectives.

Our seven corporate objectives up to 31 March 2012 are as follows:

- make a difference for all rail passengers
- tackle examples of poor rail passenger service
- improve access to services for rail passengers with particular needs
- promote good practice in rail complaint handling and provide advice and advocacy to complainants
- build and deliver effective passenger representation for bus, coach and tram passengers
- increase awareness of Passenger Focus and our influence with stakeholders
- boost Passenger Focus's capacity and capability to get the best deal for passengers.

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

Current year

The organisation incurred net costs of £8.5 million in the year to 31 March 2011. Some 20% (2009-10 : 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.

Our costs have been funded through grant in aid received from the Department for Transport who sponsor Passenger Focus. In addition this year we have secured joint funding totalling £141,000 for a number of projects.

Total taxpayers' equity showed a balance of £111,000 at the end of the year and the total grant in aid drawn down during the year was £8,657,000, of which £243,000 was deployed on non-current assets.

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 99.8% (2009-10 : 99.6%) of invoices within 30 days, and 84.8% (2009-10 : 91.5%) within 10 working days.

Staff

During 2009-10 through a recruitment and restructuring programme we built the capacity of the organisation to take on the extra responsibility for representing bus, coach and tram passengers in England. The staff take credit for the achievements set out in the Review of the Year in what has been an uncertain period following the announcement of substantial reform of Passenger Focus.

The substantial reform has meant a significant reduction in our future funding and in March 2011 we embarked on the restructuring process to achieve the savings which may result in redundancies and have been consulting staff on these changes. The restructuring plans will not be completed until June 2011. Costs of potential redundancies have been provided in these financial statements.

We are committed to equality of opportunity for all our staff, and do not condone discrimination on the grounds of gender, race or national origin, colour, religious belief, disability, marital status, age 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 £156,000 to support improved staff performance, including development and communication of the business plan. We have also introduced an induction programme for all new starters.

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. Our investment in passenger research over the year totalled £1,697,000, including the National Passenger Survey and bus mystery traveller research. 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.

Future years

In 2009 we published our 2009-12 Corporate Plan which set out what we intend to do over the next two years. Our objectives set out in that document demonstrate Passenger Focus's future plans to deliver our mission of 'getting a better deal for passengers'.

The organisation has agreed funding of £4.7 million for 2011-12 and we will complete our restructuring in June 2011 to deliver savings to remain within our new budget. Once we have completed this restructuring exercise we will review our corporate and business plan priorities in light of the lower funding level.

Social and environmental issues

As explained in the chief executive's report, the organisation does not make financial donations to charities.

We have introduced recycling for office waste where feasible. In addition Passenger Focus staff and board members use public transport when undertaking official business.

Essential contractual arrangements

The primary contractual arrangements for the organisation are for passenger research, including the National Passenger Survey (NPS), Bus Mystery Traveller Survey and Bus Passenger Satisfaction Survey, and our outsourced IT support and infrastructure provider.

The contract for the NPS is managed through regular reports on performance against service levels, and has been awarded under the terms of the research framework contract already in place after the year end as the current contract ended in April 2011.

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.

Financial structure of business

Passenger Focus is funded by grant in aid from DfT. 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. As reported above, Passenger Focus has agreed its funding requirements with the DfT until 2012.

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.

These statements have been audited by the National Audit Office at a cost of £22,000 and remuneration has not been paid for any non-audit services.

Anthony Smith

Chief Executive and Accounting Officer

23 June 2011

Remuneration Report for the year ended 31 March 2011

The remuneration committee is made up of three non-executive board members: Nigel Walmsley (chairman), Marc Seale until July 2010, Derek Mead since July 2010, and Christine Knights.

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 2010-11 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 no pay increase for staff during 2010-11 following the announcement of the Civil Service pay freeze.

Our simple Annual Bonus Scheme was continued in 2010-11 and 15 staff received bonus payments in respect of 2009-10 totalling £19,995. 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 are approved by the Chairman of the Remuneration Committee.

Elements of the remuneration of the Chief Executive are linked to achievement of key business objectives which have been agreed with the Chairman and the Department for Transport. The actual level of any payment is assessed by the Chairman and has to be agreed by the remuneration committee.

Board members (audited)

Remuneration paid to the non-executive board members for the period to 31 March 2011 is set out below.

	Board fees paid in the period ended		Date of current or most recent Appointment	Appointment Expiry date
	31 March 2011 £000's	31 March 2010 £000's		
C Foxall (Chairman)	47	39	23 September 2009	23 September 2013
D H Burton	16	16	24 July 2008	23 July 2012
P M Davis	5	16	24 July 2008	23 July 2010
J A King	5	16	24 July 2009	23 July 2010
J A King	1	n/a	1 March 2011	28 Feb 2015
C E Knights	16	16	24 July 2008	23 July 2011
D Langslow	16	16	24 July 2008	23 July 2011
D Leibling ¹	-	-	9 January 2009	8 January 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
M J Seale	5	16	24 July 2008	23 July 2010
S M Thomas	16	16	1 May 2009	30 April 2013
N Walmsley	16	16	24 July 2009	23 July 2013

¹ Mr D Leibling is appointed by the London Assembly and does not receive any fees from Passenger Focus for the 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. There has been only one appointment within the year to the Board, that of James King by Scottish Ministers. As his previous (second) appointment ended and his new (first) appointment started within the reporting year, we have shown two periods of remuneration

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 and title	Start Date / End Date	2010-11 Salary in £5,000 bands [2009-10 Comparative] (£000's)	2010-11 Real increase in pension and related lump sum at age 60 (bands of £2,500) (£000's)	Total accrued Pension at age 60 at 31 March 2011 and related lump sum (bands of £5,000) (£000's)	Cash Equivalent Transfer Value at End date (£000's)	Cash Equivalent Transfer Value at Start of year (nearest £000's)	Real increase in Cash Equivalent Transfer Value nearest £000's
A Smith Chief Executive	1 April 2010 - 31 March 2011	120-125 [115-120]	0 – 2.5 [2.5 – 5]	20-25 (20-25)	349	273	32
N R Holden Resources Director	1 April 2010 - 31 March 2011	60-65 [60-65]	0 - 2.5 (0 – 2.5)	15-20 (15-20)	240	201	7
A Kumar Rail Passenger Director	1 April 2010 - 31 March 2011	75-80 [75-80]	5 – 7.5 (0 – 2.5)	55-60 (10-15)	158	123	15
D Sidebottom Bus Passenger Director	1 April 2010 – 31 March 2011	70-75 [15-20]	10 - 12.5 (0 - 2.5)	65-70 (10-15)	257	187	42

Mr D Sidebottom became Bus Passenger Director on 1 January 2010 so the salary for 2009-10 is for the three month period from that date. The full year equivalent is £70-75.

“Salary” includes gross salary and any performance pay or bonuses awarded.

There were no benefits in kind or non-cash benefits received by the executive management team during the period.

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

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 changes in Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good

quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on 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 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: www.civilservice-pensions.gov.uk

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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 effectively 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

23 June 2011

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, Passenger Focus 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 Domestic, 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'.

Accounting Officer's Statement on internal control

Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control which supports the achievement of organisational policies, aims and objectives as set by the Framework Document agreed with the Department for Transport whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's document 'Managing Public Money'. I am responsible to the Director General Domestic, 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.

Passenger Focus is supported by board members who are responsible for:

- setting the organisation's strategies and enabling frameworks
- 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 Corporate and Work Plan delivery.

The Board comprises 10 non-executive members and is chaired by a non-executive appointee. An Audit Committee 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
- Accounting Officer statement on internal control.

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 Ministers.

The purpose of the 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 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. The System of Internal Control continues to be reviewed and developed with further improvements in the process.

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 policy reflecting the purpose and underlying approach to risk management and the role of the staff and senior management team, which has been made available to all staff on the intranet and
- An organisational risk register that identifies the main operational risks assigned to individual risk owners. The risk register Passenger Focus has implemented includes mitigating actions to eliminate or reduce this risk and is reviewed at the monthly management team meetings together with regular reporting to the Audit Committee.

The risk and control framework

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 consisted of a non-executive chairman and 10 non-executive members and met seven 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.

The Audit Committee

The Audit Committee consists of four non-executive members and met four 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 audit
- 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.

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 acceptable assurance for the year in his annual report. There were four internal audit assignments completed over the year and there were no significant weaknesses that fall within the scope of issues that should be reported in the Statement on Internal Control.

The audit assignments this year covered the Implementation of the Changes Management Process following the transfer of responsibility for Bus Passenger Representation, Delivery of Human Resources Services, External Communications and Financial Systems and pensions stewardship. 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.

Risk management

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

- periodic reviews of the risk register
- 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 strategic direction of the organisation
- ensuring Passenger Focus's operations and system of internal control comply with the principal recommendations from government departments such as the Cabinet Office and Office of Government Commerce (OGC) with regards to best practice.

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 2010-11. Passenger Focus's Senior Information Risk Owner (SIRO) implements Cabinet Office guidance, as appropriate, through Information Asset Owners (IAOs) which 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.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control 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 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. My conclusion is that the system of internal control is a sound system which supports the delivery of the organisational objectives.

Anthony Smith

Chief Executive and Accounting Officer

23 June 2011

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 2011 under the Railways Act 2005. These 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 Passenger Focus's 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 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.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways Act 2005 and with 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 issued 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

Statement of Comprehensive Net Expenditure Account for the year ended 31 March 2011

		2010-11	2009-10 (Restated)
	Note	£000	£000
Expenditure			
Staff costs	3	3,461	3,191
Depreciation	4	57	32
Other expenditures	4	4,120	4,115
		<u>7,638</u>	<u>7,338</u>
Redundancy Provision	11	1,050	-
		<u>8,688</u>	<u>7,338</u>
Income			
Income from activities	5	141	115
		<u>(8,547)</u>	<u>(7,222)</u>
Net Expenditure		(8,547)	(7,222)
Interest receivable	6	1	1
Net expenditure after interest		<u>(8,546)</u>	<u>(7,221)</u>

A Statement of Other Comprehensive Expenditure has not been prepared as there have been no revaluation movements in year.

The Accounting Policies and Notes on pages 41 to 50 form part of these financial statements.

Statement of Financial Position as at 31 March 2011

		2011	2010
		£000	£000
	Note		
Non-current assets:			
Property, plant and equipment	7	351	165
Total non-current assets		<u>351</u>	<u>165</u>
Current Assets			
Trade and other receivables	8	96	119
Cash and cash equivalents	9	1,916	785
Total current assets		<u>2,012</u>	<u>904</u>
Total assets		<u>2,363</u>	<u>1,069</u>
Current liabilities			
Trade and other payables	10	1,202	1,068
Other liabilities			
Total current liabilities		<u>1,202</u>	<u>1,068</u>
Non-current assets plus/less net current assets/liabilities		<u>1,161</u>	<u>1</u>
Non-current liabilities			
Provisions	11	1,050	-
Total non-current liabilities		<u>1,050</u>	<u>-</u>
Assets less liabilities		<u>111</u>	<u>1</u>
Taxpayers equity			
Revaluation reserve		-	-
General reserve		111	1
		<u>111</u>	<u>1</u>

The Accounting Policies and Notes on pages 41 to 50 form part of these financial statements.

The financial statements on pages 37 to 40 were approved by the Board on 15 June 2011 and were signed on its behalf by:

(Signed) (Chief Executive)
23 June 2011

Statement of Cash Flows for the year ended 31 March 2011

		2010-11	2009-10
		£000	(Restated) £000
	Note		
Cash flows from operating activities			
Net expenditure after interest		(8,546)	(7,221)
(Increase) / decrease in trade and other receivables		23	45
Increase / (decrease) in trade and other payables		134	113
Increase in provisions	11	1,050	-
Add : Depreciation		57	32
Net cash outflow from operating activities		<u>(7282)</u>	<u>(7,031)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	<u>(243)</u>	<u>(154)</u>
Net cash outflow from investing activities		<u>(243)</u>	<u>(154)</u>
Cash flows from financing activities			
Grants from parent department		<u>8,657</u>	<u>7,414</u>
Net financing		<u>8,657</u>	<u>7,414</u>
Net (decrease)/increase in cash and cash equivalents in the period			
		<u>1,132</u>	<u>229</u>
Cash and cash equivalents at the beginning of the period	9	<u>785</u>	<u>556</u>
Cash and cash equivalents at the end of the period	9	<u>1,916</u>	<u>785</u>

The Accounting Policies and Notes on pages 41 to 50 form part of these financial statements

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	Note	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 1 April 2009		2	(194)	(192)
Changes in reserves 2009-10 (Restated)				
Realised element of depreciation transferred to the General Reserve		(2)	2	-
Retained Surplus/Deficit		-	(7,221)	(7,221)
Total recognised income and expense for 2009-10		(2)	(7,219)	(7,221)
Grant in Aid received from the Department for Transport		-	7,414	7,414
Balance at 31 March 2010		-	1	1
Changes in taxpayers' equity for 2010-11				
Realised element of depreciation transferred to the General Reserve		-	-	-
Retained Surplus/Deficit		-	(8,546)	(8,546)
Total recognised income and expense for 2010-11		-	(8,546)	(8,546)
Grant in Aid received from the Department for Transport			8,657	8,657
Balance at 31 March 2011		-	111	111

The Accounting Policies and Notes on pages 41 to 50 form part of these financial statements.

Notes to the Accounts

1. Statement of accounting policies

Passenger Focus is the operating name of the Passengers' Council, previously known as the Rail Passengers' Council. The change in the statutory name to Passengers' Council is as a result of an amendment on 25 February 2010 to the Railways Act 2005 which extended its remit to include representing the interests of bus, coach and tram passengers in England (outside London), as well as rail passengers in England, Scotland and Wales. 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 2010-11 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 rail 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-pensions.gov.uk). 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 which fairly reflects usage.

1.8 Capital charge

Changes in the Financial Reporting Manual for 2010-11 have abolished Cost of Capital charges and thus have not been accounted for in the 2010-11 accounts. Details of changes to these accounts are illustrated in Note 19.

1.9 Taxation

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

1.10 Intra-Government balances

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

2. Analysis of Net Expenditure by Segment

	Rail Passengers £000	Bus and Coach Passengers £000	2010-11 Total £000	2009-10 Total £000
Gross Expenditure	6,821	1,868	8,689	7,337
Income	(45)	(96)	(141)	(115)
Net Expenditure	<u>6,776</u>	<u>1,772</u>	<u>8,548</u>	<u>7,222</u>
Interest receivable	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>

Costs have been directly allocated to the two activities wherever possible, and shared costs have been apportioned between the two activities on the basis of average staff numbers for

each activity.

Funding of £2,250,000 was agreed with the Department for Transport for 2010-11 to cover the costs of bus, coach and tram passenger representation. The costs shown above for this activity include costs directly related to this work plus an apportionment of fixed overheads.

Staff numbers and related costs

Staff costs comprise:

	2010-11			2009-10
	Total	Permanently employed staff	Others	Total
	£000	£000	£000	£000
Wages and Salaries	2,731	2,615	116	2,515
Social security costs	226	226	-	199
Other pension costs	504	504	-	477
Total net costs	3,461	3,345	116	3,191

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

For 2010-11, employers' contributions of £489,000 (2009-10: £477,000) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay (2009-10 : 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 2011-12, 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 2010-11 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 which is a stakeholder pension with an employer contribution. Employers' contributions of £14,648 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 £1,224, 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 £1,323.

Average number of persons employed

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

	2010-11			2009-10
	Total	Permanent	Others	Total
	Number	Staff Number	Number	Number
Directly employed	61	52	9	60
Other	2		2	2
Total	63	52	11	62

4. Administration costs and other expenditure

	2010-11 £000	2009-10 £000
Running Costs		
Passenger research	1,697	1,810
Travel and subsistence, room hire and recruitment	429	633
Printing, postage and office costs	186	262
External services and support	218	222
Information technology support and maintenance	408	400
Board remuneration	244	254
Rent, rates and utilities	667	318
Training and development	156	91
Telecommunication costs	85	97
External audit fee	22	23
Operating lease rentals (excluding rent)	8	5
Non-cash items		
Depreciation	57	32
Total	<u>4,177</u>	<u>4,147</u>

5. Income

	2010-11 £000	2009-10 £000
Income in respect of joint projects	141	82
Contribution to additional rent costs	-	33
	<u>141</u>	<u>115</u>

6. Interest receivable

	2010-11 £000	2009-10 £000
Interest on bank deposit	<u>1</u>	<u>1</u>

7. Property, plant and equipment

	Leasehold Improvements £000	Information Technology and Fittings £000	Total £000
Cost or valuation			
At 1 April 2010	405	41	446
Additions	239	4	243
At 31 March 2011	644	45	689
Depreciation			
At 1 April 2010	274	7	281
Charged in year	54	3	
At 31 March 2011	328	10	338
Net book value at 31 March 2011	316	35	351
Net book value at 31 March 2010	131	34	165
Asset financing			
Owned	316	35	351
Finance Leased	-	-	-
Net book value at 31 March 2011	316	35	351
Cost or valuation			
At 1 April 2009	281	11	292
Additions	124	30	154
At 31 March 2010	405	41	446
Depreciation			
At 1 April 2009	245	4	249
Charged in year	29	3	32
At 31 March 2010	274	7	281
Net book value at 31 March 2010	131	34	165
Net book value at 31 March 2009	36	7	43
Asset financing			
Owned	131	34	165
Finance Leased	-	-	-
Net book value at 31 March 2010	131	34	165

During the year building work costs have been incurred for the relocation of both our London and Manchester offices which have been capitalised and have been included as additions to Leasehold Improvements.

8. Trade receivables and other current assets

	2010-11	2009-10
	£000	£000
Accounts falling due within one year:		
Trade receivables	32	35
Other receivables	6	6
Prepayments and accrued Income	58	78
	<u>96</u>	<u>119</u>

Other receivables include season ticket loans to 6 staff (2009-10: 7) totalling £5,618 (2009-10: £6,125).

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

Balances with other Central Government bodies	5	12
Balances with Local Authorities	-	7
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	1	44

9. Cash and cash equivalents

	2010-11	2009-10
	£000	£000
Balance at 1 April	785	556
Net change in cash and cash equivalent balances	1,131	229
Balance at 31 March	<u>1,916</u>	<u>785</u>

The bank balance is held at a commercial bank.

10. Trade payables and other current liabilities

	2010-11	2009-10
	£000	£000
Amounts falling due within one year		
Other taxation and social security	76	78
Pension contributions payable	67	44
Trade payables	104	323
Other payables	13	16
Rent Liability	160	-
Accruals and deferred income	782	607
	<u>1,202</u>	<u>1,068</u>

The rent liability has been accrued because a rent free period was negotiated for office accommodation, and will be utilised over the lease term.

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

Balances with other Central Government bodies	-	163
Balances with local authorities	-	1
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-

11. Provision for liabilities and charges

	2010-11 £000	2009-10 £000
Redundancy Cost Provision		
Balance at 1 April	-	-
Provided in the year	1,050	-
Provisions utilised in the year	-	-
Balance at 31 March	<u>1,050</u>	<u>-</u>

The provision has been provided for as an irrevocable commitment was made before the year end. It is expected the estimated redundancy provision will be fully utilised during 2011-12

12. Capital commitments

	2010-11 £000	2009-10 £000
Contracted capital commitments at 31 March 2011 not otherwise included in these financial statements.		
Property, plant and equipment	-	299
	<u>-</u>	<u>299</u>

13. 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.

	2010-11 £000	2009-10 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	337	296
Later than one year and not later than five years	1,338	935
Later than five years	409	643
	<u>2,084</u>	<u>1875</u>
Other		
Not later than one year	6	8
Later than one year and not later than five years	13	-

Later than five years	1	-
	20	8

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

14. Contingent liabilities disclosed under International Accounting Standard 37

There were no reportable contingent liabilities or contingent assets at 31 March 2011 and the claim reported last year as a contingent liability has been crystallised and provided for.

15. 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. £8,657,000 was received from the Department for Transport in Grant in Aid for the year and £27,741 was paid for internal audit services.

Although Passenger Focus works with train operating companies (TOCs) 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.

16. Events after the reporting period

There are no reportable events after the reporting period. These accounts were authorised by the accounting officer for issue on 23 June 2011.

17. 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.

18. Fruitless Payments

As a consequence of spending restrictions imposed on Passenger Focus a payment of £15,242 was made for venue hire for the planned 2010 annual conference. Although attempts were made to stop these charges Passenger Focus were liable for the costs as a contractual agreement had been entered into prior to the restrictions being imposed. There has been no impact on the Statement of Financial Position.

19. Prior Year Adjustments

Changes in the Financial Reporting Manual for 2010-11 have abolished Cost of capital charges and thus have not been accounted for in the 2010-11 accounts. As a result the following adjustments have been made to the 2009-10 accounts:

Statement of Comprehensive Net Expenditure

	2009-10 (Original) £000	2009-10 (Restated) £000
Net Expenditure	(7,222)	(7,222)
Cost of capital	(5)	-
Interest receivable	1	1
Net expenditure after cost of capital charge and interest	(7,226)	(7,221)

Changes in Tax Payers' Equity

	General Reserve (Original) £000	General Reserve (Restated) £000
Balance at 1 April 2009	(194)	(194)
Changes in reserves 2009-10		
Non-cash charges – cost of capital	5	-
Realised element of depreciation transferred to the General Reserve	2	2
Retained Surplus/Deficit	(7,226)	(7,221)
Total recognised income and expense for 2009-10	(7,219)	(7,219)
Grant in Aid received from the Department for Transport	7,414	7,414
Balance at 31 March 2010	1	1

The prior year balance sheet figures have not changed as a result of this adjustment so the balance sheet position at April 2009, required by IAS 1, has not been disclosed.



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Passenger Focus is the operating
name of the Passengers' Council

Design and Print by **TU ink** www.tuink.co.uk

ISBN 978-0-10-297349-5



9 780102 973495