

# Annual Report and Accounts

2011-12





## **Annual Report and Accounts**

**2011-12**

### **Report presented to Parliament**

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

### **Accounts presented to Parliament**

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

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

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July 2012

Dear Secretary of State

**PASSENGER FOCUS ANNUAL REPORT AND ACCOUNTS 2011-12**

I have pleasure in sending you a copy of the annual report and accounts for Passenger Focus, the operating name of the Passengers Council, for 2011-12, as required by part 4 of schedule 5 of the Railways Act 2005.

I am writing in similar terms to the Scottish Ministers and the National Assembly for Wales.

Yours sincerely,



**COLIN FOXALL CBE**  
Chairman

# Section 1

## Chairman's introduction

### *Making a difference*

Two large, long-term pieces of work started to really make a difference for passengers this year. We have carried out an extensive range of work on the passenger experience of fares and ticketing, including ticket-vending machines, web purchasing, ticket queues, European fare comparisons and value for money. This work underpinned much of the analysis and work in the Government's recent fares consultation. Whilst we will need to look very carefully at how any changes are implemented, the debate is starting in a passenger-focused way. The next major wave of the Bus Passenger Survey (BPS) was published. Over 23,000 bus passengers around England gave their views on their last bus journeys. This work has already led to improvements on the ground as well as informing longer-term planning. Two good examples of research driving change.

We are also providing direct help to consumers. Last year we received over 14,500 contacts resulting in over 3,000 complaints where passengers and train companies have become deadlocked. Eight out of ten passengers are satisfied with the way we handled their cases and we are securing significant levels of extra compensation. While complaints data must always be read with caution (commuters who make up the bulk of rail journeys tend to complain less), they provide invaluable information. It continues to be frustrating that many complaints to us are about the way the complaints have been handled by the industry in the first place – there is plenty of opportunity for train companies to improve here.

### *Unfair treatment?*

The most worrying issue we have detected recently relates to the much-increased and overhasty use of Unpaid Fares Notices and the threat of prosecution for passengers who cannot produce a 'valid' ticket. Ticketless travel is an important issue. Passengers who avoid paying are being subsidised by the rest of us. Passenger Focus has never had a problem with the industry pursuing those who deliberately set out to avoid payment; but in doing so they must make sure they avoid scooping up those who make a genuine mistake.

This is worrying, as rail staff do not have to prove intent to defraud. If a passenger did not set out to defraud the railway, they could and should be given a chance – for example if a railcard is left at home, which invalidates the ticket they have with them but can later be produced, surely no offence has been committed. While this is probably not a widespread problem, it is causing real difficulties for some passengers and creating unnecessary conflict on the front line. We have set out our concerns to the train companies and secured an undertaking that discretion will be more consistently used in future. Over the next few months, and during the Olympic period in particular when many new and overseas passengers will be using rail, we will be monitoring implementation. If we think the industry is still being overzealous, we will refer the matter to the Office of Rail Regulation.

## *Benchmarking delivery and driving longer-term change*

The rail National Passenger Survey (NPS) continues to benchmark and drive change on the railways. Over 65,000 rail passengers tell us about their last journey. The results are eagerly awaited by the industry and provide a compelling, crisp and useful pool of data. Passengers - who will often only use one train company - and the industry, can see how services compare. We can see where good performance is being delivered and where the flat spots are. We are increasingly breaking the results down by route. This exposes the wide variation in the passenger experience around the country – for example, scores for value for money vary by route from 27% to 80%.

This survey also provides the cornerstone of our work on franchise replacement. We are in the middle of a bow wave of franchise replacement. This is an ideal opportunity to get improvements built into the specification for the franchise and to get bidders to raise their game. We generally carry out new route-based research for each franchise, which produces really useful information that can be turned into improvements on the ground. Work on the Great Western, Intercity West Coast, Thameslink, East Coast and Essex Thameside franchises is resource-hungry, but worthwhile in the long term.

We know from the NPS that the key driver of passenger satisfaction remains punctuality. The key driver of dissatisfaction remains how delays are dealt with. We continue to work to push the industry to improve. Researching what is, by definition, relatively unplanned is challenging, but our work on the snow disruption of winter 2010/11 and the high winds earlier this year continues to ensure the industry is well aware of the passenger experience. Many changes to information provision have already been made and more are in the pipeline, flowing from our work in this area.

At the request of the Department for Transport (DfT) we also carried out some passenger priorities work on what could be done with the released capacity on West Coast lines if a new high-speed line goes ahead. This involved the development of a new methodology which has won praise. Asking passengers what they would like, and then designing a service around it, still feels novel in what is still a very engineering-dominated industry.

The results of the Bus Passenger Survey (BPS) show overall satisfaction ranges from 79% to 91%. However, the overall scores mask interesting and important variations. The value for money ratings in different areas ranged from 39% to 68% among fare-paying passengers. The next level down shows even wider variations when individual bus companies are considered. This information should really help operators, passenger representatives and government target resources to where they are needed most. In some areas this is already beginning to happen – Centro and National Express have already drawn up plans to deal with some of the issues raised. We are now looking to secure a three-year funding deal for the BPS similar to what we have for the NPS – this will help underpin further expansion and hence more usefulness. We also carried out the first ever published survey of coach passenger satisfaction, which resulted in some very good scores and equally interesting feedback.

It is also good to note that we have caused the rail industry to look hard at how engineering work is planned and advertised. The research we did on the rebuild of Reading station and track layout, showed how the train companies and Network Rail really tried to keep passengers on trains – the satisfaction ratings showed it had worked. The number of bus



replacement services, so disliked by passengers, continues to drop but we will keep an eye on this as much more engineering and re-building work, all of which is needed, is planned.

*Why is my bus late?*

A simple passenger question that often seems difficult to answer. Our early research confirmed that getting more buses on time is the key improvement passengers would like. However, fears about sharing data and the potential threat of enforcement action seemed to inhibit sensible discussion about how improvements can be made. So we created a 'safe haven' where we, bus operators, local authorities and the Traffic Commissioners could get together and really start to unpick this issue. The Bus Punctuality project has now gained momentum. More than 23 routes across the country have been selected and will be subjected to a forensic analysis of performance and the causes of bus hold-ups. We will publish the final report soon, which should help speed up the buses.

*2012 onwards*

The Olympics represent an enormous opportunity for public transport to show what it can do. We will be watching to ensure passengers are treated well and any lessons understood. Our major priorities for the next twelve months and beyond will be those set by passengers themselves: making a difference on the ground, getting more buses and trains on time, improving fares and ticketing, better information during disruption and making sure the passenger voice is heard in long-term decision making. Our work plan is on our website.

Finally a big thank you to our staff and board who continue to ensure Passenger Focus makes a difference.

A handwritten signature in black ink, appearing to read 'Colin Foxall', with a stylized, wavy flourish at the end.

**COLIN FOXALL CBE**  
**Chairman**



## Section 2

### Review of activities

#### Research on bus and rail – understanding the needs and experiences of passengers

##### Bus Passenger Survey

The Bus Passenger Survey (BPS) has established itself within the bus industry as an authoritative and independent measure of bus passengers' journey experience. The 2011-12 surveys have secured funding to boost response numbers from five of the six Integrated Transport Authority areas, First Group UK Bus North Division, National Express (West Midlands), and the Go-Ahead Group.

Area-level sampling and large enough response numbers in many areas, enable reliable results to be produced for operators with major shares within these authority areas. The autumn 2011 survey obtained 21,000 responses from 23 authority areas who account for two thirds of journeys made in our remit area; this included all six Integrated Transport Authority areas.

BPS is a growing, representative, comparative evidence base which Passenger Focus uses in its work with authorities, operators and Government. We encourage these stakeholders to make use of it too, to achieve significant improvements for passengers.

BPS has been an important evidence source to initiate joint action plans between transport authorities and local bus operators and convince operators to review and improve customer service processes. BPS is increasingly being used within local agreements/partnerships to choose appropriate baselines and targets for future passenger satisfaction levels and use future BPS surveys to measure progress towards any targets agreed.

##### 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 62,500 passengers (of whom more than 58,000 were using franchised train companies).

The NPS was retendered in 2011 and a new contract with a fieldwork agency started from Autumn 2011, for a three-year period (with a possible one year extension). In Autumn 2011 we carried out qualitative research on the NPS questionnaire. This research suggested some potential minor changes to the questionnaire design, which may help maintain or improve the relatively high response rate.

At a national level the percentage of passengers satisfied with their journey overall in both Spring and Autumn 2011 was 84%, maintaining the highest ever level that was first reached in Autumn 2010 (the highest level since the survey started in Autumn 1999).

Figures for satisfaction with punctuality and reliability continued to be high for Autumn 2011, with 81% of passengers satisfied with these aspects of their journeys, though in Spring 2011 it was significantly down from 82% a year earlier, to 80%. 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 down significantly in both Spring 2011 (from 48% in 2010 to 44%) and Autumn 2011 (from 49% to 46%). Satisfaction with value for money has historically been strongly seasonal, with satisfaction usually noticeably lower in the spring shortly after the fare changes in January. The decrease in satisfaction with value for money in 2011 compared to 2010 is probably related to the fact that many fare rises were frozen in January 2010, after the low inflation rate in mid-2009 (which feeds into the rail fare increase formula). The more difficult economic climate in 2011 may also have affected passenger satisfaction levels.

Nationally, satisfaction with most station and train factors was either unchanged or improved compared to one year earlier in both Spring and Autumn 2011. The exceptions were satisfaction with punctuality/reliability (in Spring 2011) and value for money.

How well train companies deal with delays continues to be the most poorly rated aspect of service (36% satisfied in Spring 2011, 38% in Autumn 2011). Key-driver analysis consistently shows that if a train company deals with delays poorly, this is likely to result in a passenger being dissatisfied with the whole 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.

### **Coach passenger needs and experiences research**

Passenger Focus wanted to get a better understanding of coach passenger needs and experiences, how complaints were handled and to identify improvements which could be made. Research to this end was commissioned during the year. We talked to leisure and commuter travellers through a combination of focus groups and in depth interviews.

The findings were very positive; many passengers were happy using coaches and would continue to use them in the future. The cost of travel was cheap by comparison with rail and advantages of coach travel included comfortable, guaranteed seating, and a stress-free and relaxing journey. The combination of cheaper travel costs and good customer service made passengers feel they received excellent value for money. Interestingly, the driver was considered a critical element of the journey experience.

Improvements can and should be made and we have made some suggestions; a centralised booking system where different coach operator services could be compared to promote informed travel; real time service information at coach stations and stops; and a luggage identification system/procedure to address concerns about lost or stolen luggage.

### **Future priorities for the West Coast Main Line: released capacity from a potential high speed line**

If the High Speed 2 line goes ahead, this will release passenger and track capacity on the West Coast Main Line. Passenger Focus, in partnership with Network Rail, undertook research to understand what passengers want from this released capacity. We also spoke to potential passengers (car drivers) to understand their priorities. Network Rail has used these findings to develop conditional outputs.

Our research showed that room to sit/stand and the need for/length of interchange have the most influence on the quality of passenger experience. Passengers care about getting a

seat, and are concerned to a lesser degree about loading once seated, or level of crushing once standing – particularly for shorter distance commuters. Passengers also care about having direct services. The time to interchange is fairly inconsequential in itself, passengers are reluctant to change at all. We concluded that if the preferred changes are made, a sizeable proportion of passengers (19%) say they will make many more journeys by train.

For car drivers, the most important factors are the price of train travel, followed by having direct train services. More details of all research undertaken throughout the year can be found at [www.passengerfocus.org.uk/research](http://www.passengerfocus.org.uk/research)

## **Rail campaigns – securing tangible, measurable improvements for passengers**

### **Passenger focused franchises**

During the year we published our response to plans for the Inter City West Coast, Essex Thameside and Greater Western franchises. Meetings have been held with the Department for Transport and considerable effort has been made to engage with the bidders for each of these franchises. We have also commissioned research looking at the forthcoming Thameslink franchise.

### **Fares and Ticketing**

In June 2011 we published our report into website retailing. We have presented and discussed the findings of this (and our previous work on buying from ticket machines) with the Government, industry, manufacturers and website developers. We have also worked closely with the Office of Rail Regulation (ORR) during its investigation into ticket complexity. Towards the end of the year Government also produced its 'Fares and Ticketing Review' which drew heavily on all our published research.

### **Disruption**

We have now met most of the train companies to hammer home the importance of providing good information to passengers during times of disruption and we presented to the industry's National Task Force. We have published a report into the information provided to rail passengers during the high winds experienced at the start of the year and commissioned research into the use of social media (e.g. Twitter) in keeping passengers informed. We have also carried out research into passengers' attitudes to planned disruption.

### **Europe**

Passenger Focus continues to promote British rail passengers' interests with the European Commission and Parliament and to be an active member of the European Passengers' Federation.

### **Safety**

Passenger Focus is consulted by the industry, its regulators and the Government on changes to standards, regulations and statutes affecting safety. We are also active members of ORR's Rail Industry Advisory Committee, the Parliamentary Advisory Council for Transport Safety's working party on rail safety and the steering groups for a range of research projects and studies.

## **Passenger groups**

We started a programme of workshop events with local transport user groups across Great Britain.

The programme defines our working relationship with local transport user groups, plus organisations such as Railfuture, TravelWatch and Bus Users UK. Our role is clarified in terms of the level and type of support which we offer to user groups.

Information was gathered through the sessions to create a “toolkit”, which user groups should use to become even more effective and self-reliant, with an emphasis on communication and learning from the work of other user groups.

## **Passenger Focus in Scotland**

We continue to actively represent passengers in **Scotland**.

There have been a number of high-level consultations in Scotland, considering the shape of the next rail franchise, Network Rail’s Initial Industry Plan and the High Level Output Specification for Scotland. We continue to work closely with Transport Scotland.

We have used results from the NPS and passenger priorities for improvement research to inform our response to the above and participate in industry workshops, ensuring that the passenger perspective is at the forefront. This has included giving evidence to the Scottish Parliament on rail-related matters.

We have engaged with all Regional Transport Partnerships to discuss and inform their plans for delivering transport improvements that meet the needs of passengers.

During the bad weather that disrupted rail journeys in January 2012, we met the rail industry to discuss the information flow to passengers and made recommendations on how to improve the flow of information to passengers during delays.

Our work on releasing capacity on the West Coast main line has a direct read-across to Anglo-Scottish passenger services.

## **Passenger Focus in Wales**

In **Wales** there has been ongoing dialogue with Welsh Assembly Government, Network Rail and a range of other key stakeholders around some of the big passenger issues including the Great Western franchise replacement and plans for major investment to rail infrastructure.

We continue to have ongoing liaison with Arriva Trains Wales (ATW) on issues such as train performance, timetabling and network planning issues.

We have again used results from our NPS and other passenger research to influence regional transport consortia through their scheduled meetings with stakeholders.

In addition we actively represent passenger interests through speaking at, and chairing of, rail conferences in Cardiff and regular input to the ongoing consumer representation agenda in Wales.

## Other

During the year we have pushed hard for greater transparency - especially surrounding the performance of train services - and published our input into the rail industry's long term planning process (the Initial Industry Plan). We have been consulted on a range of issues, including rail conditions of carriage, competition in the bus market, high-speed rail, cable theft and the reduction of ticket office opening hours. We have also begun an investigation into the way that the industry treats passengers who travel with a ticket which is technically invalid.

### **Bus campaigns – securing tangible, measurable improvements for passengers**

The main focus of attention has been in four significant areas:

- **Bus Passenger Survey** – communicating with operators and transport authorities ahead of the research fieldwork and presentation of results to industry ahead of publication
- **Passenger consultation on service changes** – meeting transport authorities to gather evidence of best practice from public consultation processes as part of their review of local bus service provision. The evidence will influence the “consultation toolkit” that we have been asked to produce by the Transport Select Committee
- **Partnerships** – continuing to work well with Centro (West Midlands Passenger Transport Executive) as a member of the Quality Partnership Board that exists between the PTE and bus operators in the region. Our involvement covers the provision of an annual bus passenger satisfaction survey.
- **Bus punctuality** - working closely with the bus industry, the local-authority sector and central Government, our Bus Punctuality project aims to strengthen our collective understanding of what holds buses up and what can be done to make them more reliable. We are looking to establish pilot schemes covering about 20 bus routes in five local areas, and will seek to draw up detailed action plans to address problems that emerge from an analysis of performance data.

## Coach

We continue to work with coach operators using the results of our coach passenger “needs and experiences” research. In particular we have supported National Express with developing their passenger panel.

### **Your Bus Matters – bus passenger events**

During the year we completed a programme of ten “surgery” events across England where we provided financial and strategic support to Bus Users UK (BUUK) with the aim of obtaining more informed and targeted responses from passengers to influence local improvements for passengers.

We met over 2,500 passengers at the events, and of them we have received responses from around 1,200 which we have analysed and reviewed with operators, authorities and other relevant stakeholders.

At the events we asked passengers about their experiences of the following issues:

- how and where they get information for journey planning
- information and/or consultation on cuts to local bus services
- factors impacting on passengers' views of value for money
- experience of Smartcard facilities where they exist
- impact on passengers of cuts to local bus services

## **Empowering passengers with information, advice and advocacy**

### **Provide an effective appeals service to passengers and promote good practice in complaints handling**

A total of **14,687** passengers contacted Passenger Focus in 2011-12. Our passenger team negotiates with rail companies when a passenger is unhappy with the way a company has responded to their complaint. We call these 'appeal complaints' and we received **3,069** in 2011-12. Despite an overall decrease in the number of complaints made to the rail industry by passengers in recent years, Passenger Focus has seen an increase of 31.5% in the number of rail appeals we have received this year. We have also seen a significant increase in the volume of appeals we have received in respect of East Coast services, up 80% from 429 in 2010-11 to 724 in 2011-12. Passenger Focus is working closely with East Coast to improve the quality of their complaints handling and thereby reduce the number of appeal complaints received by us.

#### **How did we do?**

Passenger Focus asks passengers how satisfied they are with the way their complaint was handled by us. This is so we can improve the service we provide to passengers. This year, **81%** of passengers who responded to our survey were satisfied with the way we handled their appeal complaint against the target of 70% satisfaction.

#### **Passenger redress**

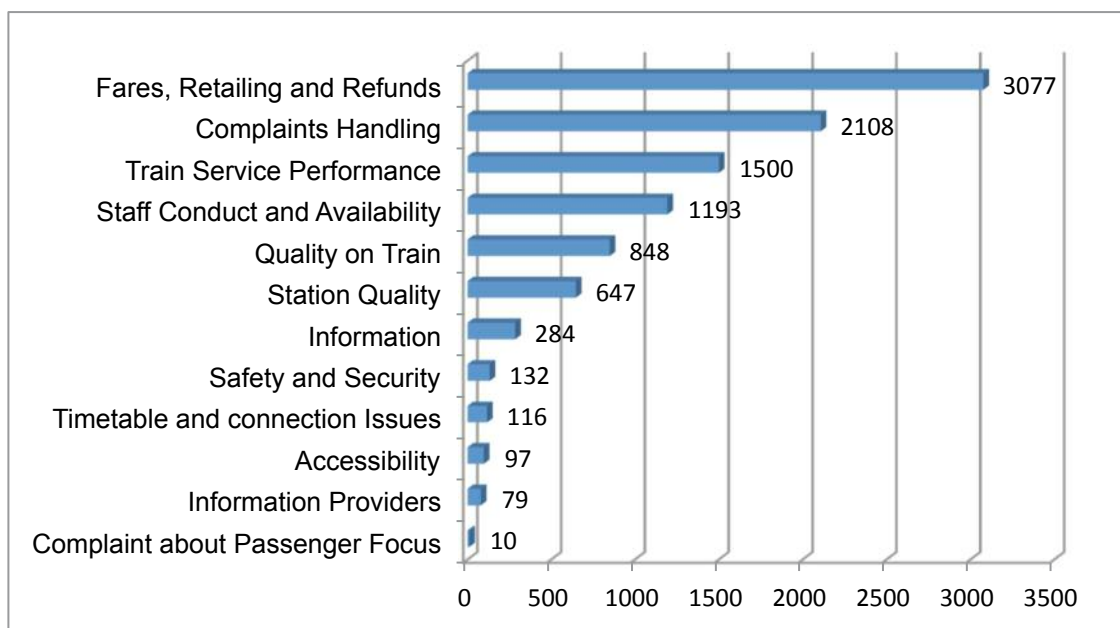
We use our influence and knowledge of the industry to negotiate an outcome for individual passengers and get things put right to stop problems happening again. This year we achieved an additional **£84,000** from train companies in compensation or goodwill gestures for passengers.

The table below shows the number of appeals opened between 1 April 2011 and 31 March 2012 by Passenger Focus, in league table order:

	No. rail appeals
East Coast Trains	774
Virgin Trains	277
First Great Western	237
Arriva Cross Country	172
Southern Railway	162
South West Trains	155
Southeastern Railway	150
Northern	138
First ScotRail	128

East Midlands Trains	126
National Express East Anglia	112
Transpennine Express	94
London Midland	84
Trainline (ticket retailer)	84
Arriva Trains Wales	76
First Capital Connect	64
Grand Central	46
Chiltern Railways	27
Greater Anglia (Abellio)	27
National Rail Enquiries	24
c2c	21
Tyne & Wear Metro (Nexus)	19
Association of Train Operating Companies (ATOC)	15
Network Rail	10
Raileasy (ticket retailer)	10
Merseyrail	9
First Hull Trains	7
My Train Ticket (ticket retailer)	7
Red Spotted Hanky (ticket retailer)	5
RPSS (Revenue Protection Support Services)	5
IRCAS (Independent Revenue Collection and Support)	3
Eurostar	1
<b>Grand Total</b>	<b>3,069</b>

The graph below shows a breakdown of passenger comments received in relation to appeal complaints:



**Note:** The number of comments received does not match the number of appeal complaints, as a passenger can comment on more than one issue as part of their appeal complaint.



## **Being visible, accessible and understood by passengers and stakeholders**

Passenger Focus's combined rail, bus and coach newsletter has been published quarterly throughout the year. The publication covers the latest work of Passenger Focus and is emailed or posted to over 1,800 people with an interest transport from local authority transport departments to MPs, journalists, passengers and Government departments.

Passenger Focus received many positive comments regarding the design and content of the bulletin and we continue to ensure that its reaches as many stakeholders as possible.

## **Raising the media profile**

Passenger Focus continued to establish a high media profile during 2011–12, with 63 national and regional broadcast interviews undertaken over the year compared with 59 broadcast interviews last year. Passenger Focus secured 267 items of national media coverage between April 2011 and March 2012, with the media featuring Passenger Focus research, including the fares research, two waves of the National Passenger Survey and the mystery-shopping research.

## **Publications and launches**

We have produced 44 publications in the last 12 months; these documents range from four-page summaries to 60 page research reports. All are produced in accordance with our branding and style guides, ensuring consistency and quality of production. Many of these reports have been available at launches, events and via email/post to our stakeholders, and all our available on our website.

We continue to maintain a busy publications function ensuring our research and policy work reaches as many people as possible,

## **Events**

Passenger Focus speaks at many industry high-profile events ensuring the passenger voice is heard. In the last twelve months we spoke at 64 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 separately in both Welsh and English.

## Section 3

### Annual report and accounts 2011-2012

#### Management commentary

This is the seventh annual report and accounts for Passenger Focus, covering the year to 31 March 2012. Our achievements this year for train, bus, coach and tram passengers are listed in the Review of Activities. Following the substantial reform to Passenger Focus as announced in the Government Spending Review October 2010 Passenger Focus has completed a significant restructuring programme which started in March 2011. The restructuring led to lower staff numbers and incurred redundancy costs which were fully provided for in the 2010-11 financial statements.

The Government Spending Review in October 2010 also resulted in our funding being significantly reduced from £8.7million in 2010-11 to £5.4 million this year, including transition costs. The funding for 2011-12 included £733,000 for transition from the old structure to the new and £849,000 for the National Passenger Survey leaving a balance of £3.8 million for operating costs including passenger research. It has proved to be particularly challenging working to the reduced budget, however despite this, our net expenditure has remained within the agreed allocation.

#### Nature of business

Passenger Focus<sup>1</sup> is an executive non-departmental public body set up by the Government to protect the interests of Britain's rail passengers and England's bus passengers outside London, coach passengers on scheduled domestic services and tram passengers. We are funded by the [Department for Transport](#) but our operations and policy-making are independent of government.

#### Financial structure of business

Passenger Focus is funded by grant in aid from the Department for Transport (DfT). An initial payment was made to provide the organisation with working capital. Subsequent monthly payments have been made by the Department based upon actual expenditure in the previous month, and forecast future requirements. Passenger Focus has agreed its funding requirements with the DfT until 2013.

In previous years, an analysis of net expenditure by segment has been included within the notes to the financial statements. However, following the Government spending review and our subsequent restructure, all funding now comes through one funding stream and we are not required to report separate segments. Ultimately our mission stands as 'getting the best deal for passengers,' be they rail, bus, coach or tram. This note has therefore been removed from the accounts.

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

## **Change**

A restructuring programme was completed on the 3 June 2011 with an aim to achieve savings in our operating costs of around 50%, excluding ring fenced funding for the National Passenger Survey. As a result 26 staff were made redundant and costs for the redundancies were provided for in the 2010-11 accounts. Following the Government Spending review and as a result of restructure, we have reduced the cost and amount of office space we occupy in our Manchester offices by sharing office space with the Office of Rail Regulation. It has proved more difficult to reduce our London office costs during the year because, despite working closely with the Department for Transport and the Government Property Unit, we have not been able to surrender the lease or find an alternative tenant. Negotiations are currently taking place and it is anticipated we will be moving to smaller office space in the coming year. Implementing such a large budget cut and the displacement of such a proportion of our staff caused us to look long and hard – and reach conclusions - about the scale of our activities within a statutory remit which is essentially unchanged. These conclusions have been carried forward to our workplan for 2012-13.

## **Operational performance**

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

Our seven corporate objectives up to 31 March 2012 were 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.

## **Finance**

In 2011-12 the organisation received £5.4 million from the Department for Transport, of which £849,000 was allocated for work on the National Rail Passenger Survey, £733,000 for transition from the old organisational structure to the new, and the remaining £3.8 million for operating costs, including passenger research. In addition, this year Passenger Focus has secured funding totalling £2,000 of third party income for joint projects.

The organisation incurred net costs of £5.4 million in the year to 31 March 2012. Some 24% (2010-11 : 20%) of our spending has been invested in research on passenger issues which ensures we are able to provide objective evidence to support our campaigns for improvements.

Total tax payers' equity<sup>2</sup> showed a balance of £135,000 at the end of the year and the total grant in aid drawn down during the year was £5,434,000, of which £6,000 was deployed on non-current assets.

### **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 £1,314,000, including the National Rail and Bus Passenger Surveys. The main research projects this year have been highlighted in the Review of Activities, and the full details of our research can be found on our website.

### **Essential contractual arrangements**

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

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

### **Pension Liabilities**

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

### **Payment of suppliers**

Passenger Focus endeavours to comply with the Better Payment Practice Code and seeks to pay invoices within 30 days of receipt and during the year paid 98.3% (2010-11 : 99.8%) of invoices within 30 days, and 77.7% (2010-11 : 84.8%) within 10 working days. The average time taken to pay a supplier during the year was 6.75 days (2010-11 : 10.11 days). This was calculated by dividing the aggregate amount owed to trade creditors at the year end, by the aggregate amount invoiced by suppliers during the year, multiplied by the total number of days in the financial year.

### **Staff**

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

We are keen to provide our staff with a range of training and development opportunities to ensure they have the knowledge and skills necessary to carry out their responsibilities effectively. During the year we have spent £71,000 to support improved staff performance, including development and communication of the business plan.

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

The total average whole time equivalent persons employed decreased by 16 in comparison to the prior year following redundancies as part of the restructuring programme.

We continued to operate our simple bonus scheme during the year so that we could recognise staff who have demonstrated exceptional performance - more details are included in the Remuneration Report on pages 23 to 28.

Over the year the level of unplanned absences due to sickness was 2.1% (2010-11 3%) of the total staff time.

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

### **Health and safety**

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

### **Social and environmental issues**

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

In order to minimise the impact on the environment, Passenger Focus staff and board members use public transport wherever possible when undertaking official business. We have significantly reduced our business travel during 2011-12, making better use of electronic communication and conferencing facilities.

### **Charitable and political donations**

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

### **Corporate governance**

Passenger Focus has a board of non-executive members who were appointed following a full competition process regulated by the Office for the Commissioner for Public Appointments (OCPA). Their biographies can be found on the passenger focus website. The board is responsible for setting the strategic direction and main policies of the organisation, and providing corporate governance and oversight of the finances and operations. The board and its committees are set out on page 20.

### **Board**

Non-executive board members are appointed by the Secretary of State for Transport (Chairman and no more than 16 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:

	<b>Date of original appointment</b>	<b>Date current or most recent appointment ends or ended</b>	<b>Current Term (years)</b>	<b>Statistics Governance</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
C Foxall (Chairman)	23 September 2005	23 September 2013	4	√		
D H Burton	24 July 2005	23 July 2012	4		√	
J A King	20 March 2011	12 June 2011	See note below			
C E Knights	24 July 2005	23 July 2011	3		√	√
D Langslow	24 July 2005	23 July 2011	3	√		
D Leibling	9 January 2009	8 January 2013	4	√		
D Mead	24 July 2005	23 July 2013	4			√
W E Samuel (Chairman of Audit Committee)	24 July 2005	23 July 2013	4		√	
B Saunders	24 July 2005	23 July 2013	4		√	
S M Thomas	1 May 2006	30 April 2013	4			
N Walmsley (Chairman of Remuneration Committee)	24 July 2005	23 July 2013	4	√		√
J Gallacher	01 September 2011	31 August 2012	1			

**Note.** Mr King was 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, but sadly died on 12 June 2011. Scottish Ministers appointed Prof J Gallacher under the Office of the Commissioner for Public Appointments (OCPA) emergency rules to the Board for a one year term with effect from 1 September 2011.

Ms C Knights and Dr D Langslow CBE retired from the Board on 23 July 2011.

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

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 Governance Statement) and to oversee the process of internal and external audit. This entails providing advice, guidance and support to the Chief Executive in discharging the role of Accounting Officer.

The primary purpose of the remuneration committee is to support Passenger Focus on all matters relating to pay and grading policy and terms of employment.

The primary purpose of the Statistics Governance Group is to ensure the ongoing integrity of statistical research and compliance with the UK Statistics Authority's Code of Practice for official statistics

### **Principal risks and uncertainties**

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

### **Data handling**

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

### **Equalities Scheme**

In order to comply with the Public Sector Equality Duty, we have produced an Equality Scheme, with an Action Plan linked to the business plan.

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

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

As part of Passenger Focus's ongoing commitment to equality and diversity, all Passenger Focus staff have received refresher Diversity and Inclusion training. Board members will receive similar refresher training by July 2012.

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



## **Future years**

We are in the process of updating our 2012-15 Corporate Plan which will set out what we intend to do over the next three years. Our objectives which will be framed around those summarised below and demonstrate Passenger Focus's future plans to deliver our mission of 'getting the best deal for passengers':

- make a difference for all rail, bus, coach and tram passengers
- tackle examples of poor rail, bus, coach and tram passenger service
- improve access to services for rail, bus, coach and tram passengers with particular needs
- promote good practice in rail, bus, coach and tram complaint handling and provide advice and advocacy to complainants
- build and deliver effective passenger representation for rail, 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.

The organisation has agreed funding of £5,360,000 for 2012-13

## **Accounts and Audit**

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

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

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

## **Disclosures to auditors**

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

**Anthony Smith**

Chief Executive and Accounting Officer

11 June 2012

## **Remuneration Report for the year ended 31 March 2012**

The remuneration committee is made up of three non-executive board members: Nigel Walmsley (chairman), Deryk Mead and, until July 2011, 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 2011-12 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 2011-12 following the announcement of the Civil Service pay freeze.

Our simple Annual Bonus Scheme was continued in 2011-12 and 15 awards were made, some for individual contributions and others for team contributions and totalled £20,000. The Bonus Scheme recognises exceptional performance by staff in delivering exceptional value, or high levels of professionalism or personal commitment in delivering high quality work. All staff, including members of the Management Team are eligible to participate in the Bonus Scheme and any awards are approved by the Chairman of the Remuneration Committee.

## Board members (audited)

Remuneration paid to the non-executive board members for the period to 31 March 2012 is set out below.

	Board fees paid in the period ended		Date of current or most recent Appointment	Appointment Expiry date
	31 March 2012	31 March 2011		
	£000's	£000's		
C Foxall (Chairman)	52	47	23 September 2009	23 September 2013
D H Burton	16	16	24 July 2008	23 July 2012
J Gallacher	9		1 September 2011	31 August 2012
J A King	3	6	1 March 2011	See below note
C E Knights	5	16	24 July 2008	23 July 2011
D Langslow	5	16	24 July 2008	23 July 2011
D Leibling <sup>1</sup>	-	-	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
S M Thomas	16	16	1 May 2009	30 April 2013
N Walmsley	16	16	24 July 2009	23 July 2013

**Note.** Mr King was 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, but sadly died on 12 June 2011. Scottish Ministers appointed Prof J Gallacher under OCPA emergency rules to the Board for a one year term with effect from 1 September 2011

<sup>1</sup> 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 Prof Gallacher by Scottish Ministers, following the death of Mr King on 12 June 2011.

### Executive management team (audited)

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

Name	A Smith	N R Holden	A Kumar *	D Sidebottom
Job title	Chief Executive	Resources Director	Rail Passenger Director	Passenger Director
<b>Start date with Passenger Focus</b>	25 July 2005	7 September 2005	29 October 2007	3 January 2006
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
2011-12 Salary in £5,000 bands [2010-11 Comparative]	120-125 [120-125]	60-65 [60-65]	10-15 [75-80]	70-75 [70-75]
2011-12 Real increase in pension and related [lump sum] at age 60 in bands of £2,500	0-2.5 [N/A]	0-2.5 [N/A]	0-2.5 [0- 2.5]	0-2.5 [0- 2.5]
Total accrued Pension at age 60 at 31 March 2012 and related [lump sum] in bands of £5,000	25-30 [N/A]	15-20 [N/A]	10-15 [40-45]	15-20 [50-55]
Cash Equivalent Transfer Value at End date	394	274	181	290
Cash Equivalent Transfer Value at Start of year to nearest £000	353	242	178	268
Real increase in Cash Equivalent Transfer Value to nearest £000	8	9	-	(1)

\* Figures as at 3 June 2011

The posts of Rail Passenger Director and Bus Passenger Director were made redundant on 3 June 2011. Mr A Kumar left on voluntary redundancy terms and received a payment of £95,000 in accordance with the provisions of the civil service voluntary redundancy scheme and a payment in lieu of notice of £22,260. A new post of Passenger Director was created to which Mr D Sidebottom was appointed.

'Salary' includes gross salary only. No performance pay or bonuses were awarded in financial year 2011-12 or 2010-11 and there were no benefits in kind or non-cash benefits received by the executive management team during the periods.

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

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

## Review of Fair Pay

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

	2011-12	2010-11
Mid-point of band of highest paid director's total Remuneration (£'000)	122,500	122,500
Median total remuneration (£)	33,979	37,333
Ratio	3.6	3.3

The actual mid-point of the banded remuneration of the highest paid director in Passenger Focus in the financial year 2011-12 was £122,500 (2010-11 : £122,500). This was 3.6 times (2010-11 : 3.3) the actual median remuneration of the workforce, which was £33,979 (2010-11 : £37,333).

The main reason for the change in the ratio is that the reduction in our budgets meant we reduced our staff numbers from 62 to 41 with the consequence that the pay profile for staff moved slightly towards the lower pay bands.

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

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with 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 or her` 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](http://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

11 June 2012



## **Statement of Accounting Officer's responsibilities**

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

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

The Director General 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'.

## **Governance Statement**

### **Scope of responsibility**

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

### **Governance structure**

Passenger Focus is supported by a board of nine non-executive members<sup>3</sup> who are responsible for:

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

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
- processes and controls to support this governance statement.

### **System of internal control**

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

The system of internal control has been in place in Passenger Focus for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and includes the delegation of budgets and risk ownership to directors and managers. The system of internal control accords with Treasury guidance and continues to be reviewed and developed with further improvements in the pipeline.

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<sup>3</sup> The Board currently comprises the Chairman and five members appointed by the Secretary of State for Transport, and one member each appointed by Scottish Ministers, the National Assembly for Wales, and the London Assembly.

### **Capacity to handle risk**

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

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

### **Risk management**

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

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

### **Review of effectiveness**

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

Passenger Focus completed a major restructuring during the summer of 2011. Inevitably, much of the review and development of our systems of internal control has been directly related to this exercise. In particular, Passenger Focus has:

- Reviewed, updated and implemented its risk strategy
- Reviewed, developed and implemented revised arrangements for quarterly reporting (in public) to the Board
- Reviewed and remapped the majority of Passenger Focus's core business processes

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

## **Board**

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

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

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

The Board discussed and reviewed its own effectiveness at their meeting in May 2012. Details of the Boards remuneration and appointment process are available in the Remuneration report and Board appointment process on page 24.

## **The audit committee**

The audit committee consists of three non-executive members and met five times during the period to consider:

- the quarterly financial reports
- the draft annual report and accounts
- the policies and procedures to be implemented by Passenger Focus
- the planned activity and results of the external and internal 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. The committee reviewed its own effectiveness using the NAO self assessment model during the third quarter of 2011-12.

## **Other aspects of governance arrangements**

The Board also maintains two additional committees to help discharge its governance duties. The Remuneration Committee oversees cross organisation pay awards, changes to terms of employment and performance related pay, and authorises SCS equivalent grade pay and conditions. It met once during 2011-12. The Statistics Governance Group oversees Passenger Focus's compliance with UKSA's Code of Practice for official statistics and promotes good practice in research activities. It met once during 2011-12.

### **Internal audit**

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

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

The audit assignments this year covered the implementation of the change process following our restructuring programme, business planning and performance process, Corporate Governance and risk management, management of project budgets, and senior appointments review. Managers have been assigned responsibility and timescales for implementing the audit recommendations which have either been or are in the process of being completed. Progress against the actions is reported to the audit committee periodically to ensure the findings are being addressed.

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

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

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

The risk strategy was subject to a major review during 2010-11 (with the restructuring programme in mind) and implemented in the first quarter of 2011-12. A key element of this was the Board's commitment to establishing risk appetite for strategic, programme and operational risks. The audit committee introduced a twice yearly risk report to the Board where it summarises risk management activity and provides an in-year opinion. Passenger Focus's head of business services met with each risk owner at the end of each quarter to review both risks and controls, and subsequently formally discussed these with me. Headline corporate risks during the year included business performance (processes and controls); building an effective and committed team; transition year funding; and the personal security and safety of our staff.

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

**Conclusion**

From the controls and processes in place together with the assessment of their effectiveness I have concluded that the use of resources by Passenger Focus has been managed and controlled effectively.

**Anthony Smith**

Chief Executive and Accounting Officer

11 June 2012

## **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 2012 under the Railways Act 2005. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

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

#### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Passenger Focus' affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways Act 2005 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

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

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

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

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

## **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General

Date: 13 June 2012

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



**Statement of Comprehensive Net Expenditure Account for the year ended 31 March 2012**

		2011-12	2010-11
	Note	£000	£000
<b>Expenditure</b>			
Staff costs	2	2,441	3,461
Depreciation	3	63	57
Other expenditures	3	2,927	4,120
		<u>5,431</u>	<u>7,638</u>
Redundancy provision (write back) / charge	10	(13)	1,050
		<u>5,418</u>	<u>8,688</u>
<b>Income</b>			
Income from activities	4	6	141
		<u>(5,412)</u>	<u>(8,547)</u>
<b>Net Expenditure</b>		<b>(5,412)</b>	<b>(8,547)</b>
Interest receivable	5	2	1
Net expenditure after interest		<u>(5,410)</u>	<u>(8,546)</u>

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

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

**Statement of Financial Position as at 31 March 2012**

		<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>		
<b>Non-current assets:</b>			
Property, plant and equipment	6	294	351
<b>Total non-current assets</b>		<u>294</u>	<u>351</u>
<b>Current Assets</b>			
Trade and other receivables	7	111	96
Cash and cash equivalents	8	492	1,916
<b>Total current assets</b>		<u>603</u>	<u>2,012</u>
<b>Total assets</b>		<u>897</u>	<u>2,363</u>
<b>Current liabilities</b>			
Trade and other payables	9	743	1,202
<b>Total current liabilities</b>		<u>743</u>	<u>1,202</u>
<b>Non-current assets less / plus net current liabilities / assets</b>		<u>154</u>	<u>1,161</u>
<b>Non-current liabilities</b>			
Provisions	10	19	1,050
<b>Total non-current liabilities</b>		<u>19</u>	<u>1,050</u>
<b>Assets less liabilities</b>		<u>135</u>	<u>111</u>
<b>Taxpayers equity</b>			
Revaluation reserve		-	-
General reserve		135	111
		<u>135</u>	<u>111</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 16 May 2012 and were signed on its behalf by:

(Signed) ..... (Chief Executive)  
11 June 2012

## Statement of Cash Flows for the year ended 31 March 2012

		2011-12 £000	2010-11 £000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(5,410)	(8,546)
(Increase) / decrease in trade and other receivables		(15)	23
(Decrease) / increase in trade and other payables		(459)	134
(Decrease) / increase in provisions	10	(1,031)	1,050
Add : Depreciation		63	57
<b>Net cash outflow from operating activities</b>		<u>(6,852)</u>	<u>(7,282)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(6)	(243)
<b>Net cash outflow from investing activities</b>		<u>(6)</u>	<u>(243)</u>
<b>Cash flows from financing activities</b>			
Grants from parent department		5,434	8,657
<b>Net financing</b>		<u>5,434</u>	<u>8,657</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>			
		<u>(1,424)</u>	<u>1,132</u>
Cash and cash equivalents at the beginning of the period	8	1,916	785
Cash and cash equivalents at the end of the period	8	<u>492</u>	<u>1,916</u>

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

## Statement of Changes in Tax Payers' Equity for the year ended 31 March 2012

	Note	General Reserve £000	Total Reserves £000
Balance at 1 April 2010		1	1
<b>Changes in reserves 2010-11 (Restated)</b>			
Retained deficit		(8,546)	(8,546)
<b>Total recognised income and expense for 2010-11</b>		(8,546)	(8,546)
Grant in Aid received from the Department for Transport		8,657	8,657
<b>Balance at 31 March 2011</b>		111	111
<b>Changes in taxpayers' equity for 2011-12</b>			
Retained deficit		(5,410)	(5,410)
<b>Total recognised income and expense for 2011-12</b>		(5,410)	(5,410)
Grant in Aid received from the Department for Transport		5,434	5,434
<b>Balance at 31 March 2012</b>		135	135

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. 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 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Passenger Focus for the purpose of giving a true and fair view has been selected. The particular policies adopted by Passenger Focus are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Income from operating activities

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

#### 1.3 Tangible non-current assets

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

#### 1.4 Depreciation/amortisation

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

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

### **1.5 Government grants**

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

### **1.6 Pension costs**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. The PCSPS is an unfunded multi-employer defined benefit scheme but Passenger Focus is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)). Passenger Focus makes payments to the PCSPS of amounts to cover the accruing liabilities of the Treasury in respect of superannuation benefits for persons who have been employed in the funded operations, and in respect of the administrative expenses attributable to the liabilities and their discharge.

### **1.7 Operating leases**

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

### **1.8 Taxation**

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

### **1.9 Intra-Government balances**

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

## 2. Staff numbers and related costs

### Staff costs comprise:

	2011-12		2010-11	
		Directly		
	Total	employed staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	1,908	1,841	67	2,731
Social security costs	183	183	-	226
Other pension costs	350	350	-	504
<b>Total net costs</b>	<b>2,441</b>	<b>2,374</b>	<b>67</b>	<b>3,461</b>

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

For 2011-12 employers' contributions of £339,000 (2010-11 : £489,000) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay (2010-11 : 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 2012-13, the rates will continue to be in the range 16.7% to 24.3%. The contribution rates are set to meet the costs of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £11,547 (2010-11 : £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 £746 (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 £1,012.

## Civil Service compensation scheme - exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
	<£10,000	3	-	10	-	13
£10,000 - £25,000	4	-	3	-	7	-
£25,000 - £50,000	3	-	-	-	3	-
£50,000 - £100,000	1	-	1	-	2	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000 plus	-	-	1	-	1	-
Total number of exit packages	11	-	15	-	26	-
Total cost (£)	236,527	-	400,000	-	636,527	-

All redundancy and early departure costs were provided for in 2010-11 and the above table summarises the payments made during the current financial year and charged against that provision.

In addition to the redundancy and early departure payments Compensation in Lieu of Notice totalling £378,614 was paid during the current financial year where contracts of employment were terminated before the end of the notice period, and £2,496 paid for administration services to the Department for Work and Pensions. These costs were provided for in 2010-11 and the payments have been charged against that provision.

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

## Average number of persons employed

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

	2011-12		2010-11	
	Total Number	Permanent Staff Number	Others Number	Total Number
Directly employed	45	42	3	61
Other	2	-	2	2
<b>Total</b>	<b>47</b>	<b>42</b>	<b>5</b>	<b>63</b>



### 3. Administration costs and other expenditure

	2011-12	2010-11
	£000	£000
<b>Running Costs</b>		
Passenger research	1,314	1,697
Travel and subsistence, room hire and recruitment	166	429
Printing, postage and office costs	111	186
External services and support	122	218
Information technology support and maintenance	446	408
Board remuneration	189	244
Rent, rates and utilities	425	667
Training and development	71	156
Telecommunication costs	55	85
External audit fee	22	22
Operating lease rentals (excluding rent)	6	8
	<hr/>	<hr/>
	2,927	4,120
<b>Non-cash items</b>		
Depreciation	63	57
<b>Total</b>	<hr/>	<hr/>
	2,990	4,177

### 4. Income

	2011-12	2010-11
	£000	£000
Income in respect of joint projects	2	141
Other income	4	-
	<hr/>	<hr/>
	6	141

### 5. Interest receivable

	2011-12	2010-11
	£000	£000
Interest on bank deposit	2	1
	<hr/>	<hr/>

## 6. Property, plant and equipment

	Leasehold Improvements £000	Information Technology and Fittings £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2011	644	45	689
Additions	6	-	6
<b>At 31 March 2012</b>	<b>650</b>	<b>45</b>	<b>695</b>
<b>Depreciation</b>			
At 1 April 2011	328	10	338
Charged in year	48	15	63
<b>At 31 March 2012</b>	<b>376</b>	<b>25</b>	<b>401</b>
<b>Net book value at 31 March 2012</b>	<b>274</b>	<b>20</b>	<b>294</b>
<b>Net book value at 31 March 2011</b>	<b>316</b>	<b>35</b>	<b>351</b>
<b>Asset financing</b>			
Owned	274	20	294
Finance leased	-	-	-
<b>Net book value at 31 March 2012</b>	<b>274</b>	<b>20</b>	<b>294</b>
<b>Cost or valuation</b>			
At 1 April 2010	405	41	446
Additions	239	4	243
<b>At 31 March 2011</b>	<b>644</b>	<b>45</b>	<b>689</b>
<b>Depreciation</b>			
At 1 April 2010	274	7	281
Charged in year	54	3	57
<b>At 31 March 2011</b>	<b>328</b>	<b>10</b>	<b>338</b>
<b>Net book value at 31 March 2011</b>	<b>316</b>	<b>35</b>	<b>351</b>
<b>Net book value at 31 March 2010</b>	<b>131</b>	<b>34</b>	<b>165</b>
<b>Asset financing</b>			
Owned	316	35	351
Finance leased	-	-	-
<b>Net book value at 31 March 2011</b>	<b>316</b>	<b>35</b>	<b>351</b>

All assets remain at cost and have not been revalued as all expenditure was incurred within the last 24 months and cost value is still believed to be true and fair.

## 7. Trade receivables and other current assets

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	9	32
Other receivables	6	6
Prepayments and accrued Income	96	58
	<hr/> 111	<hr/> 96

Other receivables include season ticket and bicycle loans to 6 staff (2010-11 : 6) totalling £6,440 (2010-11: £5,618).

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

Balances with other Central Government bodies	32	5
Balances with Local Authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	1
Amounts external to Government	79	90
	<hr/> 111	<hr/> 96

## 8. Cash and cash equivalents

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	1,916	785
Net change in cash and cash equivalent balances	(1,424)	1,131
Balance at 31 March	<hr/> 492	<hr/> 1,916

The bank balance is held at a commercial bank.

## 9. Trade payables and other current liabilities

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Other taxation and social security	53	76
Pension contributions payable	31	67
Trade payables	65	104
Other payables	9	13
Rent liability	151	160
Accruals and deferred income	434	782
	<hr/> 743	<hr/> 1,202

The rent liability has been provided because a rent free period was negotiated for office accommodation, and will be utilised over the lease term. The rent liability includes £123,816 (2010-11: £136,134) which is due in more than one year.

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>(Restated)</b>
		<b>£000</b>
Amounts in the above figures due to other entities included in the Whole of Government Accounts :		
Balances with other Central Government bodies	113	165
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Amounts external to government	630	1,037
	<u>743</u>	<u>1,202</u>

Amounts due to other entities included in the Whole of Government Accounts have been restated for 2010-11 as they were omitted in error in the previous published accounts.

#### **10. Provision for liabilities and charges**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Redundancy Cost Provision</b>		
Balance at 1 April	1,050	-
Provided in the year	-	1,050
Provisions utilised in the year	(1,018)	-
Provisions written back in the year	(13)	-
Balance at 31 March	<u>19</u>	<u>1,050</u>

#### **11. Commitments under leases**

##### **Operating leases**

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

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	293	337
Later than one year and not later than five years	1,105	1,338
Later than five years	175	409
	<u>1,573</u>	<u>2,084</u>
<b>Other</b>		
Not later than one year	6	6
Later than one year and not later than five years	8	13
Later than five years	-	1
	<u>14</u>	<u>20</u>

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

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

As reported in note 14 it is likely that there will be a premature surrender of the lease for our London offices at Drummond Gate. Although no immediate costs to reinstate the premises will be incurred because the agreement is between crown bodies there is a remote possibility that Passenger Focus may be required to contribute to the reinstatement costs when the main lease ends in 2017. It is difficult to quantify the amount for any future liability at the date of the accounts so this item has been recorded as an unquantifiable contingent liability.

There were no other reportable contingent liabilities or contingent assets at 31 March 2012 or 31 March 2011.

## **13. Related-party transactions**

Passenger Focus is an executive non-departmental public body sponsored by the Department for Transport and is regarded as a related party. £5,434,000 was received from the Department for Transport in Grant in Aid for the year and £10,800 was paid for internal audit services with an additional £15,096 accrued.

Rental payments for office space in Manchester are paid to the Highways Agency who are also regarded as a related party because they are an Agency of the Department for Transport. Payments made to the Highways Agency totalled £107,765 for the year.

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

During the year Passenger Focus purchased new computer equipment in line with its IT strategy. Any surplus equipment was offered to staff at market rate and buyers included the Chief Executive, the Passenger Director and the Resources Director. The value of these transactions were £225, £75 and £175 respectively. None of the board members or key management staff has undertaken any other material transactions with Passenger Focus, other than their remuneration, or its related parties during the year and none has a financial interest in the TOCs such as to influence their work with Passenger Focus.

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

Passenger Focus has plans to move offices in London during 2012-13 which would mean prematurely ending its occupation agreement at Drummond Gate. Although negotiations are well advanced at the date the accounts were signed no formal agreement had been signed to surrender the existing lease so no adjustments have been made to write off of the leasehold improvements at Drummond Gate over a shorter term and reflect the shorter period over which to release the provision in respect of the rent free period.

If the current negotiations are concluded as indicated for a surrender from December 2012 this would mean all of the £273,725 remaining net book value of leasehold improvements and all of the remaining £136,134 rent liability will pass through the Statement of Comprehensive Net Expenditure for 2012-13.

There are no other reportable events after the reporting period. These accounts were authorised by the accounting officer for issue on 14 June 2012.

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

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



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