

Statement of Accounts presented to Parliament by the Secretary of State for Transport on behalf of the Comptroller and Auditor General in pursuance of Section 58 of the Railways and Transport Safety Act (2003)

British Transport Police

Statement of Accounts for the year ended 31 March 2006

*Ordered by the House of Commons to be printed on
26 February 2007*

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Contents

	Page
Introduction	3
Remuneration Report	12
Statement of Authority Members' Responsibilities	19
Statement of Accounting Officers' Responsibilities	21
Statement on Internal Control	22
The Certificate of the Comptroller and Auditor General	27
Income and Expenditure Account	29
Statement of Recognised Gains and Losses	30
Balance Sheet	31
Cash Flow Statement	32
Notes to the Accounts	33

Introduction

These audited financial statements are for the year ended 31 March 2006, and have been prepared using applicable accounting standards on an ongoing basis.

The accounts consist of:

Income and Expenditure Account

This provides details of the revenue expenditure of the British Transport Police Authority (BTPA) and shows how that expenditure was financed, primarily from Train Operating Companies (TOC's) and Network Rail.

Statement of Total Recognised Gains and Losses

This Statement identifies gains and losses that have occurred during the year that are not included in the Income and Expenditure account.

Balance Sheet

Summarises all of the assets and liabilities of the BTPA and presents the BTPA position as at 31 March 2006.

Cash Flow Statement

This statement provides details of the inflows and outflows of cash arising from transactions with 3rd parties for both capital and revenue items.

These accounts include a comparison with the accounts for 2004-05 which are for the nine months from 1 July 2004, when the BTPA was established as an NDPB.

Accounting policies and explanatory notes form part of the accounts.

Statutory Background

On 1 July 2004 the BTPA was established as a Non Departmental Public Body (NDPB) with the Department for Transport (DfT) as the sponsoring body. On this date responsibility for British Transport Police (BTP) transferred to the BTPA under Section 18 of the Railways and Transport Safety Act (2003). This is the second set of accounts BTP have produced as an NDPB which have been produced in accordance with the accounts direction issued by HM Treasury and also in accordance with section 51 of the Railways and Transport Safety Act (2003).

History of BTP

BTP can trace its history back to 1826, when a mention is made of the Police establishment on the Stockton and Darlington Railway, making it one of the oldest Police Forces in the world.

Throughout its history BTP has been at the forefront of policing. BTP was one of the first forces to recruit women and pioneered the use of Police Dogs. A BTP officer made the first arrest using the "electric telegraph" in 1845 and in the 1970's BTP were the first force to use a computer to report and record crime.

BTP as a single organisation was formed from a combination of several individual railway forces during nationalisation of the railways in 1947 and became part of British Rail. In 1992 BTP was reorganised into eight areas and in 1997 transferred to the Strategic Rail Authority on the privatisation of British Rail. On 1 July 2004 BTP transferred to the newly created BTPA forming part of the national policing structure, whilst being sponsored by the DfT.

Principal Activities

BTP is the National Police force for the railways providing a policing service to Network Rail, rail operators, their staff and their passengers throughout England, Wales and Scotland. It is also responsible for policing the London Underground System, the Docklands Light Railway, the Midland Metro Tram System and Croydon Tramlink. These rail businesses provide a transport service to some five million people every day. Together these are known as the Train Operating Companies (TOC's).

BTPA forms part of the national policing structure while being part of the Department for Transport (DfT). BTP's vision is to provide policing excellence for Britain's railways. Policing excellence means being professional at all times and continually striving to provide the best possible service to the railway community and the travelling public.

The BTP aims to work in partnership with others to help build a safe railway environment that is free from disruption and the fear of crime.

This will be achieved by:

- Being dedicated to the specialist needs of our railway community;
- Ensuring that staff are well trained and supported to enable us to deliver the highest possible quality of service;
- Improving our systems and structure to increase effectiveness at all levels;
- Improving flows of information to our community about our aims and achievements;
- Providing value for money in all that BTP does.

The Chief Constable is the Accounting Officer for the BTPA and is accountable to the Secretary of State for Transport via the Permanent Secretary, in his position as Principal Accounting Officer.

Operational Performance during 2005-06

The BTPA's operational performance in 2005-06 was overshadowed by the 7 July bombings, when terrorists murdered 52 innocent people and injured over 700 on London's transport system.

The events of 7 July marked the beginning of a new normality for BTP that puts counter terrorist activity as the very highest priority.

On 7 July four suicide bombers exploded three devices at 8.50am on three London Underground trains and a fourth device was exploded on a bus at 9.47am. Two weeks later on 21 July BTP responded to incidents reported at several Tube stations, which were failed attempts to detonate devices.

In the following weeks all BTP staff worked to ensure the safety of the rail system. Mutual aid was sought and offered by other police forces, and high profile patrols and pro-active stop and search operations were stepped up considerably. Armed officers were routinely seen at stations for the first time.

Approximately 130 staff were deployed to the inquiry led by the Metropolitan Police's Anti-Terrorist Branch, which rapidly identified the four bombers and led to further arrests. An incident room was set up at Force Headquarters to manage operations, processing many thousands of CCTV tapes and hard drives, leading directly to rapid identification of the bombers.

After 7 July BTP refocused its visible policing strategy to deter and disrupt potential terrorist activity. Much of this takes place at major interchange stations and prominent sites in the capital. There has also been increased covert activity to spot possible hostile reconnaissance as well as increased stop and search operations, and the creation of a Counter Terrorism Pro-active Unit.

Despite the terrorist bombings, BTP achieved all 11 operational targets in the 2005-06 Policing Plan, making BTP one of the most successful police forces in Britain.

Objective	Target	Result	Comment
Detection rate for staff assaults	40%	46%	2,794 staff assaults recorded, up 1%. All Areas achieved this objective.
Detection rate for robberies	29%	31%	2,198 robberies were recorded, up 6%. All Areas achieved this objective.
Detection rate for hate crime	37%	42%	1,852 hate crimes were recorded, up 3%. All Areas achieved this objective.
Detection rate for violent assaults	38%	44%	3,919 violent assaults were recorded, up 5%. All Areas achieved this objective.
Theft of passenger property	4% detection rate 2% reduction in thefts	4% -16%	24,065 thefts were recorded. All Areas achieved both objectives.
Low level disorder	5% increase in judicial disposal	22%	9,809 in total. All Areas achieved this objective.
Graffiti	4% increase in judicial disposal	40%	576 in total. All Areas achieved this objective.
Detection rate for Route Crime	8%	11%	3,336 Route Crime offences recorded.
Fatalities	To conclude police activity that causes disruption in non-suspicious deaths within an average of 90 mins. (Excludes LU)	81 mins	194 deaths. All Areas achieved this objective.
Football	To apply for Football Banning Orders in 80% of cases	88%	183 offences recorded.

2,498 fewer crimes were reported in 2005-06, a fall of 3.1%. This was largely due to almost 16% fewer recorded thefts of passenger property, which represents over 30% of all reported crime. BTP has continued to focus on anti-social behaviour as well as important offences for the railway environment such as trespass etc.

The joint industry approach to Route Crime (Line of Route offences) continues to pay dividends with a reduction in crime for the third year running, down in 2005-06 by 9%. The industry strategy is built around the "4E's" – Enabling, Education, Engineering and Enforcement, and is aimed at increasing the safety of passengers, staff and other users of the system as well as minimising costly disruption to services.

Crime on the London Underground and Docklands Light Railway remains stable, with pick-pocketing (theft from the person) continuing as the main volume crime.

Other developments during 2005-06 include:

- The launch of Operation Shield in February 2006. This is the deployment of hand held metal detectors and walk through detection arches to crack down on offensive weapons. Some 20,000 people have been scanned, over 160 weapons recovered and more than 150 arrests made;
- Targeting late night crime and anti-social behaviour in stations;

- Establishment of a dedicated HOLMES team, which manages investigations into major crime. HOLMES is the major crime computer system used by all UK police forces. It manages paper work and cross referencing, created as part of an investigation;
- Expansion of "Complementary" policing through further recruitment of Special Constables and Police Community Support Officers (PCSOs).

Britain's rail system, with over two billion passenger journeys undertaken every year, is a safe, low crime environment. Although passenger and rail staff perceptions do not always match that reality. In 2005-06 crime on the railway fell in England, Scotland and Wales, yet there has been considerable anxiety expressed around station staffing and its effects on passenger safety. The rail system is not immune from the ills of society, such as violent crime, and must play its part in combating them and reassuring and inspiring the confidence of the community.

Financial Performance in 2005-06

2005-06 saw the BTPA's budget increase substantially by 24.9%. Extra funding was required to address a range of unavoidable additional costs such as, VAT which became irrecoverable following BTPA's change in status to a Non Departmental Public Body (NDPB), resulting in the requirement to set budgets inclusive of VAT. The extra funding was also provided to ensure BTPA could achieve the objectives set out in the BTPA's 2005-08 Strategic Plan, while also addressing the substantial legacy issues that had arisen as a result of many years of underfunding.

Significant projects included:

- Additional Counter Terrorist support to provide increased resilience and enhanced proactive capability;
- The replacement of BTPA's entire Information Technology infrastructure (Voice and data network systems and desk-top computers);
- The development of the Professional Standards Department, to include intelligence analysis and proactive operations;
- Essential repair and maintenance of BTPA's estate, including the relocation of BTPA's Force Headquarters;
- The creation of a centralised crime recording centre to improve the quality of investigation and service given to victims of crime.

These projects were all delivered on time and within budget.

However there were additional pressures that could not be accommodated within the extra funding for 2005-06. These are:

- The additional cost of depreciation, following a significant increase in the capital grant, and a more robust application of the accounting standards and policies in respect of fixed assets;
- Coping with the unprecedented demand in the aftermath of the bombings, and attempted bombings on the London Underground in July 2005. The increase in security requirements and the demands of the resulting investigation led to significant additional costs being incurred. (These were met largely by Grant in Aid from the DfT. However there were further ongoing costs, arising from the policing requirements in the 'new normality' following the bombings that were not covered by this grant).

The combination of the factors above, has resulted in a net overspend for the BTPA for 2005-06.

In the context of an extraordinary year for BTPA, facing the terrorist attack in London, whilst at the same time achieving all eleven operational Policing Plan targets, addressing significant infrastructure issues, and taking forward a number of substantial change projects, the final outturn for the BTPA is an overspend of £6,516K (4% of the total available funding of £170.8m).

£3,150K of the highlighted overspend is a direct result of the application of the FRS17 accounting standard, in respect of retirement benefits. The Treasury has agreed that any costs arising from the application of this standard only have to be passed onto the industry every two years (This is in order to attempt to reduce the volatility of this charge). This reduces the operating overspend to £3,366K (2% of the total available funding of £170.8m).

This has had an impact on the BTPA's general reserve position, resulting in a deficit of £1,319K. This is the cumulative financial position of the BTPA since its creation on 1 July 2004.

It will be for the BTPA to decide how it wishes to recover this. The BTPA is required to ensure that the full cost of its operations is paid for by the 'User' – in this instance the rail industry. It should be noted that BTPA is allowed to set a rolling three-year budget, and can therefore choose to carry forward any surplus or deficit arising in any individual year as long as the overall financial strategy is to achieve a balanced outturn over the rolling three years. This means that the BTPA can decide to return any surplus in year, or a reduced charge in future years. It also means that any deficit can be funded either by a supplementary charge in the year following the year of account, or by an increase in the charge for future years.

The BTPA has agreed to consider the final outturn and the cumulative general reserve for 2005-06 as part of the budget setting process for 2007-08, which is currently underway and will conclude in March 2007.

Capital expenditure for the year was fully funded by Grant in Aid from the DfT. However a review of the BTPA fixed asset accounting policies has meant that the cost of the connection of the new national police radio service, Airwave, has had to be capitalised. This cannot be accommodated within the available funding and an application is being made to the DfT to apply for cover under the end of year flexibility scheme.

Future Developments

Operations

The Operations Department was restructured during Spring 2006 and will be focusing on the following issues as a priority:

- Counter Terrorism: The Counter Terrorism Unit is being enhanced to increase response capability to ensure that BTP can minimise disruption to the rail network. This will be achieved through a risk management approach to dealing with bomb threats and suspect packages together with proactive high visibility patrols. BTP expects to continue operating at a very high level of threat for the foreseeable future.
- Call Handling: BTP intends to enhance capability for call handling by taking forward projects to ensure the communication centres are able to deal with the expected large increase in demand. In London alone the phone traffic has increased by 70% and the new opportunities Airwave radios give will increase demand even further.
- Community and Partnerships: BTP is taking steps to improve ways to interact with communities and the impact of policing on them. BTP will be developing its relationships with crime and disorder partnerships to tackle local problems.
- Complementary Policing: BTP will be increasing the use of complimentary policing resources, through the Railway Safety Accredited Scheme, and continue to develop the use of PCSOs and Special Constables.
- Neighbourhood Policing: BTP intends to develop and pilot a neighbourhood policing model that is suitable for the railway environment. This will give local areas a constant visible police presence working in partnership to tackle local issues identified by the community.
- Events Policing: There will be a number of large events affecting BTP over the next year as well as the ever increasing demands of football policing. Work is in hand to ensure that plans are co-ordinated to ensure the appropriate and effective use is made of resources and the safety of both the public and staff is given the highest priority.

Staffing

The Human Resources Department (HR) plans for the future are set out in the HR strategy, and include the following:

- Updating HR policies and procedures, so they are clear and give all employees and managers guidance and support;

- Updating all Police officer, Police staff and PCSO handbooks;
- Reviewing the Health and Safety Service to staff, to improve the working environment;
- Harmonising police staff terms and conditions;
- Continue to ensure that BTP's workforce reflects the diverse make up of the community;
- Introducing a Talent Management and Succession Planning Process, to ensure staff in key posts have the right skills;
- Ensure all staff have the skills to perform their roles effectively.

2006-07 Budget

At the March 2006 meeting of the BTPA, the members voted unanimously to approve an additional £13.6m for the overground policing budget.

The settlement of £169m for 2006-07, represents a 9% increase in the overground budget. The London Underground budget has increased by 16% from £45.3m to £52.5m. Overall BTPA's 2006-07 budget has increased by 10% over that of 2005-06.

Pensions

BTPA has adopted FRS 17 (Retirement Benefits) in full. This has resulted in all the assets and liabilities for each defined benefit scheme run on BTPA's behalf by Railways Pension Management Ltd being disclosed (see Note 25 in the notes to the accounts). The accounting policy for pensions is disclosed in Note 1.8 in the notes to the accounts.

Results for the year ending 31 March 2006

This is the second year that accounts have been prepared, meeting the requirements of the Railways and Transport Safety Act 2003. The Income and Expenditure Account for the year is shown on page 29, the Statement of Recognised Gains and Losses on page 30, the Balance Sheet and Cash Flow Statement are shown on Pages 31 and 32 respectively.

Going Concern

The opening Balance Sheet as at 1 April 2005 shows net pension liabilities of £133.2m. This is due to the full implementation of the Financial Reporting Standard (FRS17) requiring the costs and benefits of pension schemes relevant to BTPA to be reflected in the statement of accounts.

The net liability of the scheme on 31 March 2006 was £109.3m, a decrease of £23.9m in the year. The decrease is due to an actuarial gain during the year. This liability is accounted for as a negative pension reserve. This sum has no impact on the underlying basis for meeting the BTPA's current and ongoing pension liabilities. These will be met out of the BTPA's funding from TOC's. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Post Balance Sheet Events

There are no post balance sheet events.

Charitable and Political Donations

The BTPA and BTP make no political or charitable donations.

Research & Development

BTPA undertakes research into a wide range of activities. The findings are used to develop and improve BTP's operational and support capabilities to deliver its key objectives to reduce and investigate crime and provide public safety and assurance as well as the overall efficiency of BTP.

Some notable examples include:

- Regular strategic reviews of the external environment in which BTP will be operating in the short and medium term to provide a guide and reference tool for BTPA decision makers;
- Identification and sharing of best practice with other police forces and organisations to improve processes and ways of working;
- Investigation and use of cutting edge mobile data technology to increase time spent by officers on core policing duties;
- Analysis of intelligence and other information to optimise the use of resources.

Communications and Employee Involvement

The BTPA values its employees and recognises their role in enabling the BTP to achieve its objectives. The BTP ensures effective employee involvement through regular consultation with the Police Federation and the Transport Salaried Staff Association (TSSA). The BTP has also established support staff groups, including the Support Network for Lesbian, Gay, Bi-sexual and Transgender staff (LINK), the Women's Strategic Forum (WSF) and the Support Association for Minority staff (SAME). The BTP conducts regular staff surveys and has staff suggestion schemes. The BTPA has policies and procedures in place to ensure that outcomes from staff surveys and suggestions are acted upon.

BTPA is also providing additional benefits to employees, recent additions include:

- Promotion of the Key Workers living scheme;
- New Employee Assistance Programme being introduced to support staff and officers;
- Developing the Occupational Health Service to include employee health initiatives, promotion and prevention;
- Developing the HR intranet site to assist staff and managers.

BTPA has established an intranet which is continually being reviewed and improved to allow staff easy access to policies, vacancies, news and other Force related information.

Equality and Diversity

BTPA values its employees and recognises their role in enabling BTP to achieve its objectives. In addition to operational policing objectives BTPA seeks to have a workforce that is representative of the public we serve.

This is achieved through positive and targeted recruitment action, as well as support for under represented groups within BTP. During 2005-06 BTPA has:

- Expanded the Diversity team and established dedicated Diversity Officers covering gender and sexual orientation, age, disability, race and faith;
- A Race and Disability strategy has been developed for 2006-08;
- BTPA has supported staff groups for under represented staff by disseminating information about their aims and purpose, promoting attendance and providing resources;
- Holding training events dedicated to the needs of staff such as Springboard for women employees.

BTPA has formed a disability support group, Disability Equality Support Association (DESA) which will be launched in September 2006. BTPA has also been awarded "two ticks" under the national disability scheme which will be promoted throughout BTP and externally. With the advent of new legislation BTPA is also supporting a Faith Group which will be launched in the latter part of 2006 and will welcome representations from all faiths.

HR policy is being reviewed in light of age legislation and current policies such as flexible working are being reviewed to ensure BTPA employment policies support our diverse workforce.

Auditors

The accounts of the BTPA are audited by the Comptroller and Auditor General (C&AG) under the Government Resources and Accounts Act 2000. The cost of the audit is £100,000. The Comptroller and Auditor General does not undertake any non audit work for BTPA.

Provision of Audit Information

As far as the Chief Constable as Accounting Officer, is aware, there is no relevant audit information of which the auditors are unaware. The Chief Constable has taken all necessary steps required to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information.

Environmental Management Policy

BTPA has an environmental strategy which was agreed by the Strategy Budget and Performance Monitoring (SB&PM) Committee on 9 May 2006. It sets out BTPA's targets and objectives for the next three years until 2009. BTPA's environmental vision is as follows:

BTPA is committed to minimising the potentially harmful impacts its activities may have on the environment. Through a programme of continuous improvement BTPA will ensure that it meets legal environmental requirements as a minimum and apply best practice to all that BTPA does.

BTPA is aiming to conserve resources and reduce pollution by:

- Promoting sustainable design and construction across the estate and throughout the life of its buildings;
- Promoting the use of recycled material within the maintenance and upkeep of the estate, and implementing recycling facilities, energy efficient lighting and other systems;
- Implementing a purchasing policy so that suppliers and contractors to BTPA also embrace this agenda.

BTPA is committed through a programme of continuous improvement to:

- Meet all applicable legislative and other requirements, and where appropriate exceed or supplement these;
- Reduce consumption of materials in our operations, reuse rather than dispose whenever possible, and promote recycling and the use of recycled materials;
- Design energy efficiency into new services, buildings and equipment and manage energy wisely in all operations;
- Reduce wherever practicable the level of harmful emissions;
- Include environmental issues in BTPA training programmes and encourage the implementation by all BTPA staff of sound environmental practices;
- Monitor progress and publish details of our environmental performance in an Annual Environmental Report.

Social & Community Issues

One of the lessons that emerged from the events of 7 July 2005 was the need to establish better relations with communities around the country. As a result a number of initiatives were undertaken including two Community Engagement Forums which discussed a range of issues including a stop and search policy, with regard to Section 44 powers under the Terrorism Act. After a subsequent dialogue with Liberty, the human rights organisation, the policy on Section 44 stops was revised. It was clear from these discussions that all sections of the community understood the need for vigilance and wanted to work with the police, but there should be sustained consultation.

In addition, two major initiatives to involve local communities in BTP's policing were launched in London and the North West in 2006.

In the capital, recruitment began for an Independent Advisory Network (IAN) to help reflect London's diversity. Advisors are asked for their views on police operations and policy, and can help with the handling of critical incidents. This is to ensure that the police response is appropriate and boost the confidence of victims, their families and communities. The insight of the group can help prevent incidents escalating into crises.

The North Western (NW) Area took a lead in involving the community in shaping policing on the railways by staging BTP's first regional Community Forum with more than 40 people attending. The aim of the Forum is to harness ideas and enthusiasm within the community to make the region's railways even safer. The NW Area is taking the initiative forward by following up on what people have said and establishing small, local groups around police stations.

The Community and Race Relations department continues to work as part of a commitment to create sustainable consultative and communications links with local communities, because of BTP's country-wide remit, engaging with communities is a challenging task and we can never replicate local police structures in this regard.

Payment of Creditors

BTPA observes the principles of the Confederation British Industry "Prompt Payment" Code and aims to pay all approved invoices in accordance with its stated payment terms. These are within 30 days of receipt of a valid invoice; in 2005-06 this was 86%. In 2004-05 BTPA calculated payment of undisputed invoices within 30 days of the invoice date, being 14%. The corresponding figure for payment within 30 days of invoice date for 2005-06 is 58%.

Signature

Accounting Officer

British Transport Police Authority

Remuneration Report

Remuneration Policy

The Remuneration Policy for Members and Senior Officers of the BTPA is implemented in accordance with Corporate Governance procedures. The BTPA has established the Human Resources and Remuneration (HR&R) Committee to ensure this policy is followed.

Terms of reference

The HR&R Committee's terms of reference are as follows:

To monitor and recommend actions to the BTPA in respect of the BTP's:

- Employment and retention policies and strategies;
- Training and development plans;
- Diversity and equality strategies.

To decide and negotiate:

- Pay and conditions of all staff;
- Health and Safety policies;
- The BTPA Diversity and Equality policies;
- The holding of staff attitude surveys and/or cultural audits.

The HR&R Committee reports directly to the BTPA, and is comprised of the following four Authority Members:

- Christine Knights – Chair;
- Lew Adams;
- Michael Brown;
- Wendy Towers.

The HR&R Committee holds formal scheduled meetings – three meetings were held in 2005. Four meetings are scheduled for 2006.

The Chief Constable and/or the Deputy Chief Constable attend meetings, and the HR director Linda Scott presents issues to the HR&R Committee.

The HR&R Committee reports at BTPA Meetings under the set agenda item of 'Committee Issues'.

Members and Senior Officers – Appointments and Service Contracts

The BTPA must contain representation from various groups, as set out in the Rail Act, including at least four persons who have knowledge of and experience in relation to the interests of persons travelling by railway, and at least four persons who have knowledge of and experience in relation to the interests of persons providing railway services.

Members of the BTPA are appointed by the Secretary of State for Transport, with the intention that the BTPA represents, and is informed of the views and interests of these groups.

Accordingly the current composition of the BTPA is as follows:

- Chair – Sir Alistair Graham;
- Deputy Chair – Sir David O’Dowd CBE QPM DL CCMI;
- 4 members representing the interests of persons travelling by rail;
- 1 member representing the interests of railway employees;
- 1 member representing Scottish interests and appointed following consultation with the Scottish Executive;
- 1 member representing Welsh interests and appointed following consultation with the Welsh Assembly;
- 3 members representing the interests of England.

Table1 below provides details of Appointment and Service contracts for BTPA Members and Senior Officers for 2005-06.

Table1 – Appointment/Service Contracts

Members	Commencement of Contract	Term expiry date as at 31 March 2006	Notice period required	Main role
Sir Alistair Graham	02-02-2004	30-06-2008	3 months	Chairman
Sir David O’Dowd CBE QPM DL CCMI	01-07-2004	30-06-2007	3 months	Deputy Chair
Lew Adams OBE	01-07-2004	30-06-2006	3 months	Employee Matters
Michael Brown MVO	01-07-2004	30-06-2008	3 months	Industry Representative
Colin Foxall CBE	04-07-2005	03-01-2009	3 months	Passenger Interests & Wales
Robin Gisby	01-07-2004	30-06-2006	3 months	Industry Representative
Michael Holden	01-07-2004	30-06-2008	3 months	Industry Representative
Keith Ludeman		Resigned 26-05-2005	N/A	Industry Representative
James King	01-07-2004	30-06-2008	3 months	Passenger Interests and Scotland
Christine Knights	01-07-2004	30-06-2008	3 months	Passenger Forum representative
Janet Lewis-Jones		Resigned 05-09-2005	N/A	SRA nominee
Suzanne May	01-07-2004	30-06-2008	3 months	Passenger Interests
Ray O’Toole	17-10-2005	16-10-2009	3 months	Industry Interests

Table1 – Appointment/Service Contracts *(continued)*

Members	Commencement of Contract	Term expiry date as at 31 March 2006	Notice period required	Main role
Nicholas Newton	01-07-2004	Resigned	N/A	
Wendy Towers	01-07-2004	30-06-2008	3 months	Passenger Interests
Senior Officers	Commencement of Contract	Term expiry date as at 31 March 2006	Notice period required	Main role
Richard Hemmings	01-07-2004	30-06-2007	3 months	Chief Executive & Clerk
Deborah McGovern	01-07-2003	Permanent appointment	3 months	Assistant Clerk
Elizabeth Pike	01-06-2004	31-05-2007	1 month	Treasurer
Chief Officers Group	Commencement of Contract	Term expiry date as at 31 March 2006	Notice period required	Main role
Ian Johnston	01-05-2004	01-09-2009	6 months	Chief Constable
Andrew Trotter	05-01-2004	04-01-2008	3 months	Deputy Chief Constable
Susan Budden	01-08-2003	Permanent appointment	3 months	Director, Finance & Corporate Resources
David McCall	08-03-2004	Permanent appointment	3 months	Assistant Chief Constable – Scotland
Linda Scott	16-01-2006	Permanent appointment	3 months	Director, HR
Paul Nicholas	18-04-1966	Resigned on 06-01-2006	3 months	ACC (Operations)
Alan Pacey	09-01-2006	Ongoing	N/A	ACC (Operations) Temporary Appt
Paul Robb	01-04-2002	Permanent appointment	3 months	ACC (Crime)
Steve Thomas	28-04-2003	Resigned on 30-06-2005	N/A	HR Director

Remuneration of Members and Senior Officers

The policy on remuneration is determined by a number of factors, some of general consideration, and some that are specific to the transport/policing/security industries.

The general factors taken into consideration are:

- The need to recruit, retain and motivate suitably able, and qualified people to exercise their different responsibilities;
- The regional/local variations in labour markets, and their effects on the recruitment and retention of staff.

Specific factors relate to policies and guidelines from the National Police Authorities, Police Negotiating Board and the Association of Chief Police Officers (ACPO), these will influence the remuneration arrangements for both Chief Officers and other 'Federated' ranks such as Superintendents.

For civilian/support staff, collective bargaining with recognised employee associations determines annual settlements.

Members of the BTPA receive non-pensionable salaries, and their expenses are reimbursed in relation to the time they spend on BTPA business, e.g. meeting attendance, travel, subsistence, etc. The Members' salary and allowances are set by the Secretary of State following consultation with the BTPA.

The salary of Members and Senior Officers is shown in the table below

	Salary Bands 2005-06	Value of 'non-cash' benefits 2005-06	Salary Bands 2004-05	Value of 'non-cash' benefits 2004-05
	£000	£	£000	£
Members				
J Alistair Graham	30.0–35.0	0	20.0–25.0	0
David O'Dowd	20.0–25.0	0	15.0–20.0	0
Lew Adams	15.0–20.0	0	10.0–15.0	0
Michael Brown	10.0–15.0	0	10.0–15.0	0
Colin Foxall*	0.0	0	0.0	0
Robin Gisby*	0.0	0	0.0	0
Michael Holden*	0.0	0	0.0	0
James King	20.0–25.0	0	15.0–20.0	0
Christine Knights	20.0–25.0	0	10.0–15.0	0
Janet Lewis – Jones	10.0–15.0	0	0.0–5.0	0
Keith Ludeman	0.0–5.0	0	10.0–15.0	0
Suzanne May	10.0–15.0	0	10.0–15.0	0
Ray O'Toole	5.0–10.0	0	N/A	0
Nicholas Newton	0.0–5.0	0	0.0–5.0	0
Wendy Towers	15.0–20.0	0	10.0–15.0	0
<i>*No salary taken</i>				
Senior Officers				
Richard Hemmings	100.0–105.0	0	70.0–75.0	0
Deborah McGovern	55.0–60.0	0	40.0–45.0	0
Elizabeth Pike	45.0–50.0	1,600	15.0–20.0	700
Chief Officers Group				
Ian Johnston	175.0–180.0	7,200	150.0–155.0	7,800
Andrew Trotter	135.0–140.0	8,100	105.0–110.0	7,700
Susan Budden	95.0–100.0	1,300	70.0–75.0	1,600
David McCall	105.0–110.0	8,100	70.0–75.0	7,600
Linda Scott started FY 2005-06	15.0–20.0	1,300	N/A	N/A
Paul Nicholas	85.0–90.0	1,650	85.0–90.0	10,100
Paul Robb	105.0–110.0	6,500	80.0–85.0	5,300
Steve Thomas (consent withheld)				
Alan Pacey	90.0-95.0	8,100	N/A	N/A

Note: The estimated value of benefits in kind does not form part of "salary" for disclosure purposes under resource accounting.

Salary

Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The benefits in kind received are healthcare and the use of a vehicle.

Pensions

Pension benefits are provided through the Railways Pension Scheme. This is a statutory scheme and intended to be a fully funded scheme which provides benefits on a "final salary" at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service. In addition, a lump sum equivalent to 1/40th of pensionable pay is payable on retirement. Members pay contributions of 9.2% of pensionable earnings. Pensions payments are increased in line with the Retail Price Index.

On death, pensions are payable to the surviving spouse at the rate of half the member's pension. On death in service the scheme pays a lump sum benefit of 4 times pensionable pay and also provides a service enhancement on computing the spouse's pension, which depends on length of service.

Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Cash Equivalent Transfer Value (CETV)

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 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.

CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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 the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to another pension scheme.

The pension benefits tables below show the member's Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period.

The increase in CETV effectively funded by the employer is shown. It takes accounts of the increase in accrued pension due to inflation, and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) utilising commonly used standard market valuation factors for the start and end of the year.

The tables below provides pension details for Senior Officers of the BTPA and BTP.

Increase in Pension in Year

Real Increase in Pension 2005-06	Accrued Pension (Bands)	Lump Sum at 60 (Bands)
	£000	£000
Authority Officers		
Richard Hemmings	0.0–2.5	0.0–2.5
Deborah McGovern	0.0–2.5	0.0–2.5
Elizabeth Pike	0.0–2.5	0.0–2.5
Chief Officers Group		
Ian Johnston	0.0–2.5	0.0–2.5
Andrew Trotter	0.0–2.5	0.0–2.5
Susan Budden	0.0–2.5	0.0–2.5
David McCall	0.0–2.5	0.0–2.5
Linda Scott (joined 16-01-06)	N/A	N/A
Paul Nicholas (left BTP 06-01-06)	N/A	N/A
Paul Robb	2.5–5.0	0.0–2.5
Steve Thomas (left BTP 30-06-05)	Consent withheld	Consent withheld
Alan Pacey	0.0–2.5	0.0–2.5

Pension Value at 31st March 2006

	Accrued Pension (Bands)	Lump Sum at 60 (Bands)
	£000	£000
Authority Officers		
Richard Hemmings	0.0–2.5	0.0–2.5
Deborah McGovern	0.0–2.5	2.5–5.0
Elizabeth Pike	0.0–2.5	0.0–2.5
Chief Officers Group		
Ian Johnston	7.5–10.0	5.0–7.5
Andrew Trotter	2.5–5.0	2.5–5.0
Susan Budden	2.5–5.0	2.5–5.0
David McCall	2.5–5.0	2.5–5.0
Linda Scott	0.0–2.5	0.0–2.5
Paul Nicholas	N/A	N/A
Paul Robb	52.5–55.0	52.5–55.0
Steve Thomas	Consent withheld	Consent withheld
Alan Pacey	35.0–40.0	45.0–47.5

Cash Equivalent Transfer Values (CETV)

	CETV		
	Value at 01/04/2005	Real Increase 2005-06	Value at 31/03/2006
	£000	£000	£000
Officers			
Richard Hemmings	27	23	51
Deborah McGovern	25	3	28
Elizabeth Pike	7	1	8
Chief Officers Group			
Ian Johnston	131	11	142
Andrew Trotter	64	69	133
Susan Budden	31	9	40
David McCall	42	52	94
Linda Scott	N/A	N/A	5
Paul Nicholas	120	N/A	N/A
Paul Robb	1,093	211	1,304
Steve Thomas	Consent withheld	Consent withheld	Consent withheld
Alan Pacey	671	142	814

Signature

Accounting Officer

Statement of Authority Members' Responsibilities

The BTPA can have between eleven and seventeen members who represent several stakeholders and interested parties, such as the TOC's and Passenger Organisations. The Secretary of State has set the current number of members as thirteen.

The BTPA has amongst others, the following responsibilities:

- Maintain an efficient and effective police force;
- To police the railways;
- To consult with a wide range of stakeholders about policing the railway network;
- To undertake any direction given by the Secretary of State for Transport for policing the railways;
- To establish an annual policing plan plus a three year strategic plan.

The Chairman, Vice-Chairman and members each have job descriptions outlining their respective roles and responsibilities within the BTPA.

All members are appointed by the Secretary of State for Transport.

The present members of the BTPA and the Chief Officers Group (COG) are as follows:

Sir Alistair Graham – Chairman

As well as being the Chairman of the Authority, Sir Alistair is also chairman of the Committee on Standards in Public Life. Sir Alistair holds the following appointments – Appeal Tribunal (Lay Member); Department for Constitutional Affairs – Non-Executive Director of the Management Board of the Information Commissioners Office; Member of the Fitness to Practice Panel, General Optical Council plus Northern Chairman of Appeals Tribunal for special needs cases of the Learning and Skills Council. From 1st June 2006, Chairman of the Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS).

Managing Director, Belford Hall Management Company Limited
Honorary Vice – President, OPERA NORTH.

BTPA Member responsibility: Police Service Agreements

Sir David O'Dowd CBE QPM DL CCMI – Deputy Chair

Sir David also holds the following appointments – Consultant with Northgate Information Solutions Limited (until October 2006); Tracker UK Ltd (until July 2006); Microgen Information Systems Ltd (until July 2006); Police Adviser, Control Risks Ltd; Police Adviser to the Ministry of Defence; Chairman of Victim Support Northamptonshire; Governor of the University of Northampton and member of the court of the University of Leicester; and currently High Sheriff for the County of Northamptonshire for the year 2006-07.

BTPA Member responsibility: Information Technology

Lew Adams OBE – Employee Matters

Lew is a member of the Pension Management Committee of the British Transport Police Force Superannuation Fund, and a member of Friends of the National Railway Museum, York.

BTPA Member responsibility: Policing Plan route crime; health and safety;
plus police staff training

Michael Brown MVO – Industry Representative

Michael is a Director of London Underground Limited.

BTPA Member responsibility: Policing Plan terrorism and Policing Plan robbery

Colin Foxall CBE – Passenger Interests and Wales

Colin holds the following appointments – Chairman of Passenger Focus (formerly the Rail Passenger Council), a Secretary-of-State appointment; a Non-executive Director of Radian Asset Assurance Limited; and Chairman of Merlin Oil Limited.

BTPA Member responsibility: Finance

Robin Gisby – Industry Representative

Robin is an employee of Network Rail.

BTPA Member responsibility: Policing Plan – fatalities and property

Michael Holden – Industry Representative

Michael was a Director of South Eastern Trains Limited during the 2005-2006 year, and holds non-remunerated directorships in Railway Children Ball Limited and Railway Children Limited – both charitable organisations.

BTPA Member responsibility: Best value

James King – Passenger Interests and Scotland

James is both an employee and director of Marketing Principals International Limited. James is also a member of Passenger Focus.

BTPA member responsibility: Diversity (external) plus consultation and communication

Christine Knights – Passenger Focus Representative

Christine is a Member of the Passenger Focus.

BTPA Member responsibility: Human Resources

Janet Lewis-Jones appointed 4 January 2005 – SRA nominee until 2006

As well as being a member of the Authority, Janet is Vice President of the British Board of Film Classification; a Member of the Strategic Rail Authority; a Commissioner of the Postal Services Commission plus Chair of Selection Panel, Glas Cymru Cyf.

BTPA Member responsibility: Tackling violence and hate crime

Keith Ludeman – resigned 26 May 2005

BTPA Member responsibility: Police Service Agreements and Best value

Suzanne May OBE – Passenger Interests

Chair of Transport 2000 Trust and Company Secretary, Mayday Management Services Ltd.

BTPA Member responsibility: Policing Plan staff assaults, violence and robbery and Member development for London Underground.

Mr Ray O’Toole – Industry Interest

Chief Operating Officer, National Express Co Limited

BTPA Member responsibility: Police Service Agreements and Football

Wendy Towers – Passenger interests

Wendy is a Board member of the Security Industry Authority.

BTPA Member responsibility: Hate Crime and Diversity (internal)

Statement of Accounting Officer's Responsibilities

Under the Railways and Transport Safety Act (2003) the Secretary of State for Transport has directed the BTPA to prepare for each financial year a statement of accounts 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 the state of affairs of the BTPA and of its income and expenditure, assets and liabilities, recognised gains and losses and cash flows for the financial year.

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 DfT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis.

The Accounting Officer of DfT has designated the Chief Constable as Accounting Officer of the BTPA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the BTPA assets, are set out in the Accounting Officer's Memorandum issued by the DfT and published in Government Accounting.

Statement on Internal Control

1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control, that supports the achievement of the BTPA's policies, aims and objectives, whilst safeguarding the funds and departmental assets for which I am personally responsible. In accordance with the responsibilities assigned to me by the Secretary of State for Transport.

I am accountable for the day-to-day management of those risks threatening the capability and capacity of the BTP to achieve the aims laid out in the Strategic Plan and Policing Plan. It is my responsibility to implement and maintain appropriate controls and to provide assurance to the BTPA that I have done so. As Accounting Officer, I have a duty to ensure that the BTPA is provided with regular access to the BTP's risk management processes and products, sufficiently to provide the BTPA with assurance that risk management within the BTP is effective in the way the risk process is operated and reviewed. This includes quarterly submissions to the BTPA of the Strategic Risk Register, and Risk Summary, as well as a presentation of any proposals for significant modification to the Corporate Governance and Risk Management arrangements of BTPA.

The BTPA was formed under the *Railways, Transport and Safety Act 2003* on 1 July 2004. It is based as much as possible on the set up of a local police authority, whilst taking into account the national structure, and industry served by BTP. The BTPA has ultimate responsibility for managing BTP's risks, where this amounts to providing reasonable assurance against material misstatement or loss rather than guaranteeing the elimination of the risk of failure. The membership of the BTPA consists of the following:

- At least four members representing the interests of providers of railway services;
- At least four members representing the interests of persons travelling by rail;
- A person representing the interests of employees of the rail industry;
- A person representing the interests of Scotland and appointed following consultation with the Scottish Executive;
- A person representing the interests of Wales and appointed following consultation with the Welsh Assembly;
- A person representing the interests of England.

The BTPA issues a Governance Statement which declares the responsibility of the BTPA, for ensuring that the BTP implements effective risk reduction strategies, by having procedures in place to enable risk reduction and for monitoring the ongoing use, and effectiveness of such procedures. The Governance Statement also provides a risk management framework based on HM Treasury guidance. The BTP risk process must operate in accordance with the Governance Statement and is monitored through the Audit and Corporate Governance (ACG) Committee, and is BTPA's forum for reviewing internal and external audit, and risk management arrangements. At this meeting the BTPA members have responsibility for:

- Conveying their attitude towards risk management to the Accounting Officer;
- Making decisions which affect the BTP's risk profile of exposure;
- Ensuring the risk strategy is proportional to the impact of risk;
- Reviewing at least annually the BTP's approach to risk management and the risk register.

The ACG Committee, in designing the internal audit programme, will require the internal auditor to:

- Conduct audits in accordance with BTP's risk priorities;
- Provide an annual report to the BTPA on the adequacy and effectiveness of BTPA's system of internal control;
- Examine and report annually on the BTPA's risk management and Corporate Governance arrangements.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can 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 the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in constant development and improvement during the year ended 31 March 2006, and up to the date of approval of the annual report and accounts, complies with HM Treasury guidance.

3. Capacity to handle risk

The BTPA recognises that the responsibility for risk management should be driven from the top. As a result, my Chief Officer Group and I, together with the Chief Executive and Clerk, have taken the lead on risk management during this, the first full year under the direction of the BTPA. The BTPA has continued to review and update key systems, policies and processes where control issues have been identified.

A Corporate Governance and Risk Management process has this year been in operation with the endorsement and supervision of the BTPA's ACG Committee and my Chief Officer Group. Risk management is a standing agenda item at the Programme Board and Corporate Assurance Group meetings. These are chaired by the Deputy Chief Constable, as the chief officer lead on risk management, and attended by chief officers. For each risk, a chief officer is explicitly identified as the strategic risk owner who will engage at meetings with tactical owners of relevant risks and with the BTPA.

BTPA considers all employees to be eligible as risk owners, and encourages staff to actively identify both the positive and negative risks of the organisation. To embed risk management within the BTPA, the Risk Manager held risk workshops where managers received guidance in the identification, assessment and management of risk. The responsibilities of tactical risk ownership are cascaded down to reflect 'local' knowledge, and all risk owners have been afforded guidance from the Risk Manager on the methods of risk assessment and reporting. The Risk Manager resigned in September 2005, and a new post of Risk Management Co-ordinator has now been created. This was filled in July 2006.

In the interim, key personnel in BTPA's Assessment and Inspection Unit (AIU), have offered a consultancy service whereby new risk owners are introduced to the risk monitoring process and existing risk owners are assisted in reporting on risk mitigation. Members of the AIU are PRINCE2 practitioners and are undertaking the *Certificate in Internal Audit and Business Risk* offered by the UK Institute of Internal Auditors (IIA) in pursuit of full accreditation by the IIA. In accordance with this training and the existing risk management framework, the AIU provides advice to individual risk owners on the proper assessment and monitoring of identified risks.

The BTPA's Programme Management Office provides project and programme managers throughout the Force with one-to-one training and coaching in the BTPA project management methodology and with assistance in setting up project management controls. Risk and issue management logs have been incorporated into the in-house project management methodology, which the Programme Management Office has adapted from PRINCE2 and the Office of Government Commerce (OGC) Gateway methodologies.

4. The risk and control framework

Risk management is a standing agenda item for a number of key BTPA and BTP meetings, including:

- The quarterly ACG Committee, chaired by the BTPA, which monitors BTP's system of internal control;
- The monthly Corporate Assurance Group (CAG), which monitors and evaluates internal controls and enacts recommendations from the ACG Committee;

- The monthly Programme Board, which controls programme and project expenditure;
- Strategic risk management also appears as an agenda item for the Chief Officer Group meeting.

Together these meetings form a comprehensive reporting structure within which the BTPA's risks are identified and mitigating actions and controls approved.

Staff at all levels within BTPA participate in the identification of risks in response to both internal and external events. Risk identification and assessment occurs through the following:

- Identification and assessment performed by each risk owner in terms of the probability and impact (inherent and residual) of the risk to Force, Area or Department finances, performance, reputation, compliance and Health and Safety;
- Evaluation and assurance conducted at key meetings at which a risk register is examined for changes to the residual rating as a result of mitigating actions;
- Risk ranking on a 'Residual Risk Table' which places risks in descending order of risk score and prioritises discussion at meetings;
- External events potentially generating risks to the BTPA are identified through the environmental scanning function in the quarterly Strategic External Analysis document. The document informs the Strategic Risk Register and supports the Force Level 2 Strategic Assessment and Strategic Business Assessment, as per the requirements of the National Intelligence Model (NIM);
- For each individual project undertaken within the BTPA the issue and risk management logs are set up and maintained in accordance with the in-house PRINCE2 and OGC Gateway compliant project management methodology;
- The Risk Register provides a facility for the identification of each risk with the strategic aims it affects and the budget bids submitted to fund mitigating actions.

5. Review of effectiveness and Areas for Development

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department, 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 implications of the result of my review of the effectiveness of the system of internal control by the ACG Committee and CAG and a plan to address weaknesses, and ensure continuous improvement of the system is in place.

The BTPA separated from the Strategic Rail Authority in July 2004 to become a new Non-Departmental Public Body. This presented the BTPA with a significant challenge to introduce and embed a much higher standard of internal control. The BTPA is committed to this and significant progress has been made to date, though further development work is required to realise the highest standards of accountability, propriety and internal control.

The BTPA's ACG Committee will continue to provide an informed opinion on the effectiveness of risk monitoring processes and whether reliance can be placed upon the BTPA's internal control systems. The role of this Committee is also to keep under review and advise the Authority on all matters relating to internal and external audit of the Authority. Throughout 2005 the BTPA reviewed and updated its key systems, policies and processes, such as Risk Management, Business Continuity, Procurement, Human Resources and Payroll. It has made progress in documenting key systems and introducing more robust financial management and internal control processes, such as carrying out bank reconciliations on a periodic basis.

In early 2005 the BTPA's Finance Department was completely reorganised and restructured as part of a wider review of a number of central functions, including Procurement, Fleet Management, Technology and Human Resources. The review resulted in the majority of the existing Finance team leaving the organisation by the end of March 2005, and being replaced by suitably qualified staff by

the summer of 2005. The new structure identified for the Finance Department focused upon the resources and expertise required to support the organisation in a steady state. However, there remains a great deal of development work to complete before this is achieved. The Department has therefore been further strengthened through the introduction of a number of additional roles and the re-alignment of some current posts to ensure that these developments are successful.

The new structure and the introduction of more robust period and year-end processes are expected to address the main areas of error identified by the National Audit Office (NAO). For example, dedicated financial support is now provided for all budget holders in the organisation and the robustness of the four-weekly reporting process for both revenue and capital expenditure, including the supporting reconciliations, has been strengthened. The NAO expect to be able to place reliance upon the new arrangements, along with improved processes for Accounts Payable and Accounts Receivable, as key internal controls.

A specific project has been put in place to introduce robust purchase-to-pay processes that will improve the accuracy and efficiency of transaction processing, and ensure that the BTPA knows the extent of its financial commitments at all times. A project has also been put in place to replace the current legacy payroll system. This is being run in tandem with the implementation of a new Human Resources system which will allow for full reconciliation of payroll data to a robust and independent source.

The improvement projects in respect of purchase to pay, payroll and financial processes and procedures are being monitored by the Programme Management Office and are subject to regular scrutiny by the Programme Board under the Chairmanship of the Deputy Chief Constable. As Accounting Officer I am performance managing this process through close involvement with the Director of Finance and Corporate Services. I have also set myself a personal action plan to ensure that proposed improvements are delivered. This plan includes:

- Personal briefing/training in management of finance from the BTPA's internal auditors for myself and the Deputy Chief Constable;
- Improving awareness of key financial issues amongst staff by personal memo, and personal briefing of key staff at Force Management Team meetings;
- Personal involvement in the appointment of a new Head of Finance;
- Personal attendance at all ACG Committee meetings;
- Monthly meetings with senior NAO officers;
- Monthly monitoring of a new action plan for the Director of Finance and Corporate Services which deals with all issues in the CAG's report on the 2004-05 accounts.

The overall aims of this plan are to enhance a culture within the BTPA of financial propriety, financial control and compliance, and to provide visible support for the leadership within the Finance Department in their pursuit of these aims.

In addition, the BTPA's internal audit service has conducted reviews of the following:

- Core Financial Systems;
- IT Management, Strategy and Security;
- Follow-up of previous internal audit recommendations;
- Efficiency Strategy;
- Risk Management and Corporate Governance.

The internal audit service did not identify any significant weaknesses that they would consider to be far reaching in their effect on the system of internal control. However, the internal auditors did identify significant control weaknesses that, whilst isolated to particular systems and processes, when taken in aggregate may have a significant impact upon the system of internal control. These include key control account reconciliations, controls over orders and authorisation of payments, and

weaknesses in the payroll system. The BTPA have fully accepted these findings and have taken action to address them. In recognition of this, the internal auditors have given a moderate level assurance on the effectiveness of the system of internal control.

My Chief Officer Group and I have been briefed by the UK Institute of Internal Auditors (IIA) on the current condition of risk management in the BTPA, and given a clear indication of improvements needed to achieve public sector good practice. This briefing reinforced a report from an interim Risk and Insurance Manager who examined risk and insurance controls and identified a need for a revitalised risk process. In response to this, the BTPA are pursuing a risk management implementation plan to implement good practice identified by the IIA and Her Majesty's Inspectorate of Constabulary (HMIC). The plan has been ratified by the BTPA, Chief Officer Group and Corporate Assurance Group (CAG).

The Terms of Reference and membership of CAG have been revised in line with good practice. The refocused meeting is tasked with providing internal assurances that the BTPA's internal controls are sound and safeguard the policies and objectives of the organisation and will progress and monitor recommendations from the ACG Committee. The meeting is also tasked with supporting the Corporate Risk Management Strategy by ensuring that areas of significant risk are identified and analysed, and with developing control plans to be endorsed by the Chief Constable and Chair of the BTPA.

A Risk Management Co-ordinator was recruited in July 2006, to implement the risk management implementation plan. Upon completion of the core work underpinning the plan, the continuing duties of the role will include the following:

- Monitoring organisational processes for managing and mitigating identified risks and identifying new and emerging risks;
- Providing advice and guidance across the Force on all issues pertaining to risk management, including accurate identification, escalation, reporting and monitoring of risks faced by the BTPA;
- Co-ordinating risk management papers to the BTPA's Chief Officer Group, Programme Board, CAG, and the BTPA's ACG Committee.

The risk implementation plan will produce a risk management structure which delivers meaningful Risk Registers at all levels of the BTPA. These will be the products of bottom-up escalation of increasingly impactful risks from the tactical, to the strategic levels of the business. The BTPA's Strategic Risk Register, as the template for all Risk Registers across the Force, has already undergone reconstruction to create a more accurate and meaningful product. The BTPA are presently tailoring the bespoke electronic application used by the Force to conduct the HMIC Baseline Assessment and other internal audits to include a risk management capability. The application will make risk information accessible across the BTPA and integrate the risk process with the identification of potential sources of risk through internal audit and self-assessment. The end result will be a repository of 'live' risk management products that is sensitive to the sources of risk identified by major audit activity, and accessible to all levels of the BTPA at which risks can be identified and monitored. This will enable appropriate focus, ownership and resource allocation for the mitigation of the chief sources of risk faced by the organisation, including the acquisition of revenue funding, financial management, countering the threat of terrorism and compliance with legislative, inspection and audit requirements.

Signature

Accounting Officer

The Certificate and Report of The Comptroller and Auditor General to The House of Commons

I certify that I have audited the financial statements of the British Transport Police Fund (BTPF) for the year ended 31 March 2006 under the Railways and Transport Safety Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Railways and Transport Safety Act 2003 and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Railways and Transport Safety Act 2003 and the Secretary of State's directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the BTPA has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 22-26 reflects the BTPA's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of BTPA's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the BTPA and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the BTPA's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated

the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

I formed an adverse opinion on the previous period accounts (nine months to 31 March 2005) and I reported the circumstances to Parliament (HC 1157). I concluded that those accounts were likely to contain material errors resulting from insufficient evidence, documentation and explanations. Since that time the BTPA have made sound progress in the relevant accounting and management systems and my opinion is not qualified on the financial statements for the year-ended 31 March 2006.

Opinions

In my opinion:

- The financial statements give a true and fair view, in accordance with the Railways and Transport Safety Act 2003 and directions made thereunder by the Secretary of State, of the state of British Transport Police Authority's affairs as at 31 March 2006, and of its deficit for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Railways and Transport Safety Act 2003 and the Secretary of State's directions made thereunder; and
- In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

February 2007

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

Income and Expenditure Account
for the year ended 31 March 2006

		31 March 2006	Nine Months to 31 March 2005
	Note	£000	£000
Income			
Trading income	2	164,366	101,380
Government grants	2	6,469	15,055
		<u>170,835</u>	<u>116,435</u>
Operating expenditure	3	(181,331)	(109,559)
Operating deficit		(10,496)	6,876
Profit/(Loss) on disposal of fixed assets		(536)	65
Notional cost of capital credit	4	3,306	3,042
Surplus/(Deficit) on ordinary activities before interest		(7,726)	9,983
Net Interest Payable	12	(84)	(267)
Net Interest Receivable for pension schemes	26	4,600	3,460
Net Operating Surplus/(Deficit)		(3,210)	13,176
Reversal of notional cost of capital credit	4	(3,306)	(3,042)
Net Surplus/(Deficit) for the financial year		<u>(6,516)</u>	<u>10,134</u>

The surplus/(deficit) for the financial year is transferred to reserves. Movements in reserves are set out in Note 14.

All operations are classed as continuing; there were no material acquisitions or disposals during the year.

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2006

		31 March 2006	Nine Months to 31 March 2005
	Note	£000	£000
Surplus/(Deficit) for the financial year		(6,516)	10,134
Net Gain / (Loss) on revaluation of fixed assets	6	30	23
Actuarial Gain/(Loss) relating to the pension scheme	26	27,010	(55,450)
Total gains and losses recognised for the period		20,524	(45,293)
Prior year adjustment		23,300	
Total gains and losses recognised since the last annual report		43,824	

The results reflect the inclusion of a £23.3m adjustment. £22.7m relates to a government support payment made in 2004/05 to offset part of the FRS17 pension liability, and £0.6m relates to an actuarial increase in the expected return on the pension asset. The cumulative surplus generated relates to the previous year and has been recognised in the accounts as a prior year adjustment and the comparative general reserve for 2004/05 have been restated.

Balance Sheet as at 31 March 2006

	Note	£000	31 March 2006 £000	£000	31 March 2005 £000
Fixed Assets					
Intangible assets	5	886		153	
Tangible assets	6	24,830		17,539	
			25,716		17,692
Debtors: amounts falling due after more than one year	7		10,000		0
Current Assets					
Debtors: amounts falling due within one year	8	18,941		23,950	
Cash at bank and in hand	9	5,357		7,980	
		24,298		31,930	
Liabilities					
Creditors: amounts falling due within one year	10	(17,688)		(25,892)	
Net Current Assets			6,610		6,038
Total assets less current liabilities			42,326		23,730
Creditors: amounts falling due after more than one year	11	(10,110)		(345)	
Provisions for liabilities and charges	13	(1,264)		(631)	
Net assets excluding pension liability			30,952		22,754
Pension Liability	26		(109,350)		(133,210)
Net assets including pension liability			(78,398)		(110,456)
Financed by:					
General Reserve	14		98,139		118,679
Revaluation Reserve	14		(30)		(23)
Capital Grant Reserve	14		(19,711)		(8,200)
			78,398		110,456

SIGNED
Accounting Officer

February 2007

Accounting policies and notes forming part of these accounts are on pages 33 to 51.

Cash flow Statement

for the year ended 31 March 2006

	Note	<u>£000</u>	<u>£000</u>
Net cash flow from operating activities	15 a)		(2,852)
Return on investments and servicing of finance			
Interest paid	12	(8)	
Finance lease interest	12	<u>(76)</u>	(84)
Capital expenditure			
Payments to acquire tangible fixed assets	6	(12,546)	
Payments to acquire intangible fixed assets	5	(786)	
Sale of tangible fixed assets		<u>356</u>	(12,976)
Financing:			
Capital element of finance leases		(808)	
Grants Received		<u>14,097</u>	
			<u>13,289</u>
Decrease in cash for the period			<u>(2,623)</u>

Accounting policies and notes forming part of these accounts are on pages 33 to 51.

Notes to the Accounts

1. Statement of Accounting Policies

The British Transport Police Authority (BTPA) is required to comply with the Accounts Direction from the Secretary of State for Transport which states that the BTPA's financial statements shall give a true and fair view of the income and expenditure and cash flows for the financial year plus the state of affairs as at the year end. Subject to the Accounts Direction the BTPA shall prepare accounts in accordance with:

- a) 2005/06 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of BTPA for the purpose of giving a true and fair view has been selected. BTPA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts;
- b) other guidance that HM Treasury may issue from time to time in respect of accounts that are required to give a true and fair view;
- c) any other specific disclosures required by the Secretary of State; except where agreed otherwise by HM Treasury, in which case the exception shall be described in the notes to the accounts.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and follow the requirements of the 2005/06 Government Financial Reporting Manual.

1.1 Intangible Assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licences are amortised over the shorter of the term of the licence or the life of the software package, which is usually five years.

1.2 Tangible Assets

Tangible fixed assets include improvements and capital works to leasehold buildings, plant and machinery, IT equipment, fixtures and fittings, and road vehicles required for the ongoing operations of the Force. These tangible fixed assets are valued at their original cost. All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised, subject to a minimum monetary limit of £1,000, on an accruals basis in accordance with FRS 15 *tangible fixed assets*. Tangible assets have been stated at current cost using the modified historic costing indices from the National Statistics (MM17) for the category of fixed asset.

1.3 Assets Under Construction

Assets under construction are vehicles that have been purchased but require essential modification before they are safe and fit for purpose. The cost of the assets under construction includes both the original vehicle cost plus the cost of modification.

1.4 Depreciation

Depreciation is provided on a straight-line basis over periods representing the estimated useful lives of assets. Depreciation begins at the start of the period following acquisition, this policy is new for 2005-06 for vehicle acquisitions. Prior to 2005-06 the policy for vehicle depreciation was to commence charging depreciation in the year following acquisition.

These useful economic lives are subject to review as appropriate. The lives used for the major categories of assets are:

- Land and buildings – 25 years
- Plant and equipment – 5 years
- Fixtures and fittings – 5 years
- Information technology – 5 years
- Road vehicles – 4 years

No depreciation is provided on capital work in progress. This relates to vehicles which are initially received with standard fittings. The cost of the base vehicle is classified as “vehicles under modification” until all modifications are made at which point the full cost of the vehicle is capitalised.

1.5 Disposals

Depreciation is charged on assets in accordance with BTP’s Depreciation Policy. Depreciation is charged up to the accounting period in which the asset is disposed. Any surplus or deficit is taken to the Income and Expenditure account.

1.6 Income

Income, gross of value added tax, and government grants in relation to grant in aid are recognised as income and accounted for by applying the accruals convention, and are recognised in the period in which the services or grant are provided.

1.7 Notional Cost of Capital

In accordance with the Financial Reporting Manual, a charge/credit of 3.5% of net assets/liabilities is made to the surplus/deficit on ordinary activities before interest. Notional cost of capital is added back to determine retained surplus/deficit on ordinary activities after taxation.

1.8 Retirement Benefits

In compliance with HM Treasury guidelines these accounts comply with FRS17 – Retirement Benefits which requires a liability to be recognised for retirement benefits as they are earned, and not when they are due to be paid.

Before 1st July 2004 all past and present employees were covered either by the British Transport Police Force Superannuation Fund (BTPFSF) for police officers, which was established by deed; or the Railway Pension Scheme (RPS), a scheme setup by the Railway Pension Scheme Order (1994) for other staff.

After 1st July 2004 the employer for both sections became the British Transport Police Authority and Railway Pension Scheme members (current and past) were transferred from the British Rail section to the British Transport Police section of the Railways Pension Scheme.

Both schemes are defined benefit schemes meaning that retirement benefits are determined independently of the investments of the scheme. Under the rules of the scheme contributions are made up in either the ratio of 60:40 between employer and member respectively for the BTPFSF, or in the ratio of 60:40 between employer and member respectively in regard to the RPS.

1.9 Leases

The Authority has a number of operating leases in respect of property and office machinery. Expenditure under operating leases is charged to the Income and Expenditure Account in the period in which it is incurred. The Authority also has a number of finance leases in respect of vehicles. The leases are carried on the balance sheet, separated into those with less than one year remaining, 2-5 years and over 5 years. The interest payments applicable to these are charged to the Income and Expenditure account.

Finance leases, which transfer to the Authority substantially all of the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included on the fixed asset register and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Income and Expenditure Account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful economic life of the equivalent owned asset.

1.10 Grants

Grant in aid is recognised as income in the Income and Expenditure Account in the period it is received. Since the 1 July 2004 capital grants have been charged directly to the grant reserve and released into the Income and Expenditure Account in line with depreciation on the grant funded asset as government grant income.

1.11 Provisions

Provisions for liabilities and charges have been established in accordance with *FRS12 Provisions, Contingent Liabilities and Contingent Assets* and are based on reliable estimates of the expenditure required to settle future legal or constructive obligations that exist at the balance sheet date.

Provisions are charged to the Income and Expenditure account and are released when the transfer of economic benefit to settle the obligation has been made. The key provisions included in these accounts are for Professional Standards (previously Complaints and Discipline), Employment Claims, Public/Employer Liability, and Dilapidations.

1.12 VAT

Value Added Tax is included in the accounts of the Authority, whether of a capital or revenue nature, only to the extent that it is not recoverable.

1.13 Interest Payable/Receivable

Interest payable is accrued so that the period bears the full cost of interest relating to actual borrowings during that period.

Interest receivable is accounted in the period in which it is due.

1.14 Stock

The Fund does not currently carry any items as stocks, as all costs are charged to revenue.

1.15 Research and Development

Research and development expenditure is written off in the year in which it is incurred.

1.16 Insurance

BTPA insures its activities by purchasing policies for motor vehicles, travel, professional indemnity, Directors and Officers liability, fidelity guarantee and natural damages and business interruption. The cost of repairs, claims for damages, are charged to the Income and Expenditure Account as they occur. In the event of a material loss occurring BTPA will consult with the Secretary of State about the action to be taken.

2. Operating Income

Income is shown gross of value added tax and comprises income from train operating companies for policing and security services provided. It represents the value of services provided from the ordinary activities of the business during the year.

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Police Service Agreements income	157,205	99,435
Other income	7,161	1,945
Grant in Aid Income from Department for Transport	2,800	13,069
Grant Income from the Home Office	1,083	851
Capital Grant Transfer from Government Grant Reserve	2,586	1,135
Total	170,835	116,435

3. Operating Expenses

The operating surplus/(deficit) before interest and capital charges is stated after charging the following:

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Staff costs	130,384	80,124
Supplies and services: communications and computers	9,157	5,116
Supplies and services: other	19,048	10,642
Premises	13,460	6,743
Depreciation	4,732	4,184
Transport costs	4,550	2,750
Total	181,331	109,559

Included in Supplies and Services: other is a charge of £100,000 for auditors remuneration.

4. Cost of Capital

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Cost of Capital	3,306	3,042

In accordance with the Financial Reporting Manual, a charge/credit of 3.5% of net assets/liabilities is made to the surplus/deficit on ordinary activities before interest. Notional cost of capital is added back to determine retained surplus/deficit on ordinary activities after taxation.

5. Intangible Fixed Assets

Intangible assets comprise of software licences.

	Purchased Software Licences	Total
	£000	£000
Cost		
At 1 April 2005	158	158
Additions	786	786
Indexation	0	0
Disposals	0	0
At 31 March 2006	944	944
Depreciation		
At 1 April 2005	5	5
Charge for the Period	53	53
Disposals	0	0
Indexation	0	0
At 31 March 2006	58	58
NBV at 31 March 2006	886	886
NBV at 31 March 2005	153	153
Asset Financing:		
Owned	886	886
Finance Lease	0	0
NBV at 31 March 2006	886	886

6. Tangible Fixed Assets

	Land and Buildings	Plant and Machinery	Vehicles	Vehicles under modifi- cation	Fixtures & Fittings	IT Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 April 2005	10,255	6,538	5,955	535	0	10,844	34,127
Additions	3,605	1,783	846	47	57	6,208	12,546
Transfer	0	0	535	(535)	0	0	0
Indexation	10	12	14	0	0	0	36
Disposals	(990)	(31)	(897)	0	0	(394)	(2,312)
At 31 March 2006	12,880	8,302	6,453	47	57	16,658	44,397
Depreciation							
At 1 April 2005	3,855	2,264	3,817	0	0	6,366	16,302
Charge for the Period	529	1,413	988	0	1	1,748	4,679
Disposals	(656)	181	(815)	0	0	(130)	(1,420)
Indexation	0	3	3	0	0	0	6
At 31 March 2006	3,728	3,861	3,993	0	1	7,984	19,567
NBV at 31 March 2006	9,152	4,441	2,460	47	56	8,674	24,830
NBV at 31 March 2005	6,400	4,274	2,138	535	0	4,478	17,825
Asset Financing:							
Owned	9,152	4,441	2,060	47	56	8,674	24,430
Finance Lease	0	0	400	0	0	0	400
NBV at 31 March 2006	9,152	4,441	2,460	47	56	8,674	24,830

7. Debtors: Amounts falling due after more than one year

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Trade Debtor:		
The Train Operating Companies	10,000	0
	<u>10,000</u>	<u>0</u>

8. Debtors falling due within one year

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Trade Debtors	17,123	21,160
Staff Debtors	134	164
Debtors due from government departments:		
Home Office	82	217
Other	8	1
Debtors due from police authorities	17	88
Debtors due from local authorities	0	35
Other Debtors	553	553
Prepayments and accrued income	1,084	1,732
Less: Provision for Doubtful Debts	(60)	0
Total	<u>18,941</u>	<u>23,950</u>

Staff debtors represents 86 loans to employees.

9. Cash at Bank and in hand

	31 March 2006	31 March 2005
	£000	£000
Cash at bank and in hand	5,357	7,980
	<u>5,357</u>	<u>7,980</u>

10. Creditors: amounts falling due within one year

	31 March 2006	31 March 2005
	£000	£000
Trade Creditors	0	3,343
Accruals	9,317	12,375
Deferred Income	310	0
Payroll	65	270
Revenue & Customs	4,631	7,456
Bank Overdraft	0	0
Staff Creditors	0	2
Creditors due to Govt. Departments:		
Department for Transport	0	1
London Underground Ltd	850	0
Creditors due to local authorities	1,844	1,117
Creditors due to police authorities	94	159
Finance lease creditors	374	874
Deferred grants	0	0
Receipts in advance	0	134
Other creditors	203	161
Total	17,688	25,892

11. Creditors: Amounts falling due after more than one year

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Department for Transport Loan	10,000	0
Finance lease creditors	110	345
	10,110	345

12. Net Interest

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Interest		
Interest receivable on:		
Short term deposits	0	0
Interest receivable	0	0
Interest payable on:		
Bank loans and overdraft	8	94
Leases	76	173
Interest payable and similar charges	84	267
Net interest payable	(84)	(267)

13. Provisions

Provisions have been recognised within the accounts where:

- (i) The Fund has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation;
- (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

	Employer Liability Claims	Public Liability Claims	Employment Tribunals	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance as at 1 April 2005	160	435	36	0	631
Provided in year	75	70	117	764	1,026
Provisions not required written back	(24)	(51)	(8)	0	(83)
Provisions utilised during the year	(20)	(290)	0	0	(310)
Balance as at 31 March 2006	191	164	145	764	1,264

Employer Liability Claims

This provision applies to situations where employees of the Authority are involved in incidents caused by the Authority's negligence resulting in physical or mental injury or death. The provision is created based on information provided on a regular basis by claims advisers and solicitors and is the estimated cost of settlement.

Public Liability Claims

This provision applies where members of the public claim for loss, damage or injury caused by the Authority's negligence. The provision is created based on information provided on a regular basis by claims advisers and solicitors.

Employment Tribunals

The provision is established on an individual case basis in conjunction with external legal advisers, relating to employment, such as unfair dismissal, discrimination, etc. The provision covers estimated costs of any settlement and any legal expenses.

Other Provisions

The provision applies to dilapidations of leasehold properties.

14. Reserves

	General Reserve	Revalu- ation Reserve	Grant Reserve	Working Capital Reserve	Restricted Reserve	Pension Reserve	Total Reserve
	£000	£000	£000	£000	£000	£000	£000
Opening balance as previously stated	2,047	0	8,200	6,500	6,030	(156,510)	(133,733)
Prior year adjustment						23,300	23,300
Opening balance as restated	2,047	0	8,200	6,500	6,030	(133,210)	(110,433)
Retained profit/(loss) for the period	(6,516)	0	0	0	0	0	(6,516)
Transfer to/(from)	3,150	0	0	0	0	(3,150)	0
Indexation	0	30	0	0	0	0	30
Grant movement	0	0	11,511	0	0	0	11,511
Pension movement	0	0	0	0	0	27,010	27,010
Closing balance	<u>(1,319)</u>	<u>30</u>	<u>19,711</u>	<u>6,500</u>	<u>6,030</u>	<u>(109,350)</u>	<u>(78,398)</u>

General Reserve

Represents the cumulative past surplus and deficits from the income and expenditure account.

Revaluation Reserve

This reflects the movement in fixed assets of changes in value (modified historic cost accounting).

Grant Reserve

This reserve is credited with capital cash grant used to fund fixed assets and is then released to the income and expenditure account to match expenditure on these grant funded assets.

Working Capital Reserve

Represents Grant in Aid from the Department for Transport to ensure the liquidity of BTPA.

Restricted Reserve

Represents Grant in Aid from the Department for Transport to offset disputed payments by the Train Operation Companies. Any amount for repayment to the Department for transport will not be known until the disputes are fully resolved.

Pension Reserve

This is a negative pension reserve that reflects the FRS17 pension liability.

15. Notes to the Cash Flow Statement**A) Reconciliation of operating surplus/(deficit) to operating cash flow**

	31 March 2006
	£000
Operating deficit	(10,496)
Depreciation charges	4,732
Amortisation	(2,586)
Write off from MHCA & Fixed Assets	606
(Increase)/decrease debtors	(5,051)
Increase/(decrease) creditors	1,560
Increase/(decrease) provisions	633
Pension charges	7,750
Net cash out flow from operating activities	(2,852)

B) Analysis of changes in net funds

	At 1 April 2005	Cash flow	Non-cash movements	At 31 March 2006
	£000	£000	£000	£000
Cash at bank and in hand	7,980	(2,623)	0	5,357
Finance leases	(1,291)	808	0	(483)
Total	6,689	(1,815)	0	4,874

C) Reconciliation of net cash flow to movement in net funds

	31 March 2006
	£000
Decrease in cash in the period	(2,623)
Cash out flow from decrease in debt and leasing financing	808
Change in net debt resulting from cash flows	(1,815)
Movement in net debt in the period	(1,815)
Net debt at 01.04.05	6,689
Net debt at 31.03.06	4,874

16. Capital Commitments

As at the Balance Sheet date there were no capital commitments.

17. Operating Leases**A) Rentals under Operating Leases**

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Land and buildings	5,350	2,356
Plant and machinery	190	429
Total	5,540	2,785

B) Commitments under Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Obligations under operating leases comprise:

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Operating leases which expire:		
Within one year	615	229
Between two to five years	341	542
Over five years	4,015	2,761
Total	4,971	3,532

18. Finance Leases

The Fund's obligations under finance leases are as follows:

	31 March 2006	Nine months to 31 March 2005
	£000	£000
Finance leases which expire:		
Within one year	373	875
Between one to two years	110	308
Between two to five years	0	108
Over five years	0	0
Total	483	1,291

19. Contingent Liabilities

There two contingent liabilities of £40,000 for employment tribunals, and £3,500 for complaints and disciplinary matters. Both are known to the Force, but as yet action has not commenced.

20. Losses and Special Payments

There are no losses over £250,000.

21. Related Party Transactions

The Department for Transport as the Authority's sponsor is a related party, as is Network Rail with whom the Authority has a Police Service Agreement.

Due to its status as a National Police Force, BTPA has received grants from the Home Office, and so is regarded as a related party.

Due to the national nature of its work BTPA has dealings with many Police Forces working together on training and joint operations.

Four members of the Authority are drawn from organisations providing railway services. Therefore it follows that these members are employed by organisations that have contracts with the Authority. The Corporate Governance arrangements of the Authority require members to register financial and other interests and also to disclose personal or prejudicial interest where matters are discussed at meetings of the Authority.

Also, four members are drawn from a background which requires them to have an interest with people travelling on the railway. These members are likely to be from rail passenger groups.

22. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities, because of the largely non-trading nature of its activities and the way in which government departments are financed, the Authority is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies. The Authority has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Authority in undertaking their activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this analysis.

Liquidity Risk

The Authority's net revenue resource requirements are financed by resources from the Train Operating Companies, and other Government bodies. Capital expenditure is funded from Government bodies. The Authority is not exposed to significant liquidity risks.

Interest Rate Risk

One hundred per cent of the Authority's financial assets and one hundred per cent of its financial liabilities carries nil or fixed rates of interest, and the Authority is not therefore exposed to significant interest-rate risk.

Foreign Currency Risk

The Authority's exposure to foreign currency risk is not significant. Foreign currency income and expenditure is negligible.

Fair Values

Set out below is a comparison by category of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2006.

	<u>Book Value</u>	<u>Fair Value</u>
	<u>£000</u>	<u>£000</u>
Primary Financial Instruments:		
Financial Assets:		
Cash at Bank	5,357	5,357
Financial Liabilities:		
Finance Lease Obligations	483	483
Provisions	1,264	1,264

23. Post Balance Sheet Events

There are no post balance sheet events.

24. London Underground Area

BTPA employs police officers who work in the London Underground Area ("L Area") of the Force. This arrangement is embodied within a formal written agreement between the SRA (the predecessor organisation for BTPA) and London Underground Limited (LUL) entitled "For the Provision of Police Services by the British Transport Police for the London Underground", dated 27 May 2002. It remains in force until terminated at any time by either party requiring two years notice of the intention to do so.

Although the agreement was with both LUL and BTPA's predecessor organisation, the agreement remains in form and substance and the obligations it contains are assigned to BTPA and TfL/LUL as successor organisations. It stipulates that LUL will indemnify BTP for all reasonable costs associated with the delivery of police services.

The Chief Constable has legal authority for the Force, but the substance of this agreement is that LUL has operational control over the level of police services. Therefore staff costs for "L Area" are not included as expenditure in BTPA's accounts but are included in LUL's accounts.

Under the agreement BTPA recharges all payroll and other direct costs of providing the police service to LUL on a periodic basis. In addition the agreement provides for the recovery through the "Police Service Agreement" charging mechanism of an appropriate share of BTPA's overheads.

In 2005-06 staff costs relating to LUL were £42.8m (£25.5m for the nine months to 31 March 2005). The average number of officers employed on London Underground during 2005-06 was 735 (756 for the nine months to 31 March 2005).

25. Staff & Retirement Benefits

Staff Numbers and Costs

A) Total staff costs consist of:

	31 March 2006 Total	Permanently Employed Staff Total	Other Total	Nine Months to 31 March 2005 Total
	£000	£000	£000	£000
Salaries and Wages	100,010	95,024	4,986	61,879
Social Security Costs	8,279	8,279		5,348
Other Pension Costs	18,040	18,040		10,370
Other Staff Costs	4,055	3,463	592	2,527
Sub-total	<u>130,384</u>	<u>124,806</u>	<u>5,578</u>	<u>80,124</u>
Less recoveries in respect of outward secondments	(474)	(474)	0	(473)
Total Staff costs	<u>129,910</u>	<u>124,332</u>	<u>5,578</u>	<u>79,651</u>

Between 1 April 2005 and 31 March 2006, contributions of £17,500,000 were paid to the Railway Pension Scheme and the British Transport Police Force Superannuation Fund (BTPFSF) at rates determined by the scheme's Actuary. Employer's contributions are currently nil for the Railways Pension Scheme as the employer has a contributions holiday and 24% for the BTPFSF.

13 persons (nine months to 31 March 2005 – 16 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,400 (nine months to 31 March 2005 – nil).

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

	Police Officers	Police Community Service Officers	Police Staff	31 March 2006 Total	31 March 2005 Total
	2,496	180	898	3,574	3,254

26. Disclosure of Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until the employees' retire, the Authority has a commitment to make these pension payments. The liability on the Authority to meet these future payments is recognised in the accounts.

The pension costs associated with staff employed by the Authority during the year is £25.25m. This cost is partially offset by employer contributions of £17.5m and a net return on the pension fund of £4.6m, leaving a net cost of pensions for the year of £3.15m. The total pension liabilities for all staff, past and present, is shown in the Balance Sheet. This amounts to £109.35m. With effect from 1 July 2004 any net charge or credit arising as a result of FRS17 accounting for pension will be met by or returned to the rail industry.

The Fund participates in three pensions schemes of which two schemes are the direct responsibility of BTPA: the British Transport Police Force Superannuation Fund (BTPFSF) for police officers and the British Transport Police Section of the Railway Pension Scheme for other staff. Both schemes cover present and past employees, and aim to be fully funded.

The third pension scheme is a multi-employer defined benefit scheme and as such BTPA's share of assets and liabilities cannot be separately identified.

The creation of the Authority led to the transfer of scheme members from the British Rail (BR) section to the BTP Section of the Railway Pension Scheme (RPS). This left sixty two non active members in the BR section, who chose not to transfer. This is an open scheme. Contributions to the scheme are 9% for employees and 0% for the employer. However the sixty two members do not actually make any contribution, as they are deferred. The scheme benefit is one-sixtieth of salary averaged over the twelve months before they joined the BTP section or one-fortieth of salary over twelve months before they joined the BTP section for each year of membership plus a separate lump sum of one-fortieth of salary over the twelve months before they joined the BTP section for each year of membership. Both pension and lump sum are increased annually in line with RPI whilst in deferment.

British Transport Police Force Superannuation Fund (BTPFSF)

The British Transport Police Force Superannuation Fund was established by a Trust Deed made on 30th December 1974 which amalgamated the British Transport Police Force Superannuation and Retirement Benefit Funds, which itself was established by a Trust Deed made on 1 September 1968, (the 1968 Section), and the British Transport Police Force Superannuation Fund 1970 Section, established by a Trust Deed on 5 April 1972 (the 1970 Section).

The employer contribution includes the benefit support contributions received by the Government.

The BTPFSF provides benefits on a "final salary" basis at the normal retirement age of 60. Benefits accrue at the rate of one-forty-fifth of pensionable salary for each year of service. In addition, a lump sum equivalent to one thirtieth of final pay of every year of total membership is payable on retirement.

Members pay contributions of 16.0% of pensionable earnings and the employer pays one and a half times the employee contribution, being 22%.

The service cost has been calculated as the total cost (including BRASS contributions which are also included in the employer's contribution figure) less actual employee contributions. BRASS are additional voluntary contributions made by the employee.

Under the Trust Deed Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. An independent actuarial valuation was carried out at 30 June 2004 by Watson Wyatt. The Authority has since changed its actuary to Mercers who have provided the FRS17 figures.

A) The employer's pension contributions for the three years were:

2003-04 19.5% of salaries;
2004-05 19.5% of salaries;
2005-06 21.7% of salaries.

B) The major assumptions used by the actuary were

	31 March 2006	31 March 2005
	%	%
Inflation assumption	3.0	2.9
Rate of increase in salaries	4.5	4.4
Rate of increase for pensions in payment and deferred pensions	3.0	2.9
Discount rate	5.0	5.4

C) The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005
	%	£000	%	£000
Equities	7.50	603,800	7.90	463,700
Bonds	4.60	91,000	5.00	82,400
Property	6.05	51,100	6.45	45,500
Other	4.50	21,300	4.70	19,300
Allowance for Government Support Payments	4.95	23,900	5.40	23,300
Total market value of assets		<u>791,100</u>		<u>634,200</u>
Present value of scheme liabilities		(897,200)		(765,500)
Pension scheme deficit		(106,100)		(131,300)
Net pension liabilities		<u>(106,100)</u>		<u>(131,300)</u>

D) Analysis of the amount charged to operations

	31 March 2006	31 March 2005
	£000	£000
Current service cost	22,500	12,300
Past service cost	0	0
Total operating charge	<u>22,500</u>	<u>12,300</u>

E) Analysis of the amount credited to other finance income

	31 March 2006	31 March 2005
	£000	£000
Expected return on pension scheme assets	(45,800)	(32,400)
Interest on pension scheme liabilities	41,500	28,400
Net credit to other income	<u>(4,300)</u>	<u>(4,000)</u>

F) Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	31 March 2006	31 March 2005
	£000	£000
Actual return less expected return on pension scheme assets	110,600	25,700
Experience gains and losses arising on the scheme liabilities	7,900	(8,900)
Changes in assumptions underlying the present value of the scheme liabilities	(92,600)	(69,100)
Actuarial gain/(loss) recognised in the STRGL	<u>25,900</u>	<u>(52,300)</u>

G) Movement in shortfall during the year:

	31 March 2006	31 March 2005
	£000	£000
Shortfall in scheme in the beginning of the year	(131,300)	(103,800)
Movement in year:		
Current service costs	(22,500)	(12,300)
Adjustment for allowance for Government Support Payments	0	22,700
Employer contributions	17,500	10,400
Past service costs	0	0
Other finance income	4,300	4,000
Actuarial gain/(loss)	25,900	(52,300)
Shortfall in scheme at the end of the year	<u>(106,100)</u>	<u>(131,300)</u>

The current service costs for 2005-06 is overstated by approximately £1m due to the inclusion of contributions relating to 2004-05. The cost for 2004-05 is understated by an equal amount.

The actuarial update as at 31 March 2006 showed a decrease in the shortfall from £131,300,000 to £106,100,000.

H) History of experience gains and losses

	31 March 2006	31 March 2005
	£000	£000
Difference between the expected and actual return on scheme assets:	110,600	25,700
Percentage of scheme assets	14%	4%
Experience gains and losses on scheme liabilities:	7,900	(8,900)
Percentage of the present value of the scheme liabilities	1%	1%
Total amount recognised in statement of total recognised gains and losses:	25,900	(52,300)
Percentage of the present value of the scheme liabilities	3%	7%

British Transport Police Section of the Railways Pension Scheme (BTPS)

The Railways Pension Scheme was established by the Railways Pension Scheme Order 1994 (SI No 1433). The British Transport Police Shared Cost Section of the Scheme was established on 1 July 2004 by a Deed of Establishment and Participation between the British Transport Police Authority (the "Participating Employer") and Railways Pension Trustee Company Limited as Trustee of the Scheme (the Trustee).

This fund is open to new members.

The BTPS provides benefits on a "final salary" basis at the normal retirement age of 60. Benefits accrue at the rate of one-sixtieth of pensionable salary for each year of service. In addition, a lump sum equivalent to one fortieth of final pay of every year of total membership is payable on retirement.

Members pay contributions of 9.2% of pensionable earnings. The employer is currently on a contribution holiday so the employer's contribution is nil.

The service cost has been calculated as the total cost (including BRASS contributions which are also included in the employer's contribution figure) less actual employee contributions. BRASS are additional voluntary contributions made by the employee. Members are entitled to receive employer contributions matching their own contribution up to a set level. Currently this is being met from the sections assets and will only become payable by the employer in event of the section of the scheme having a shortfall.

Under the Rules and Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. An independent actuarial valuation was carried out at 31 December 2004 by Watson Wyatt. The Authority has since changed its actuary to Mercers who have provided all the FRS17 figures.

A) The employer's pension contributions for the three years from 2003-04 are nil, as the employer has a contribution holiday until 31 March 2007.

B) The major assumptions used by the actuary were:

	<u>31 March 2006</u>	<u>31 March 2005</u>
	%	%
Inflation assumption	2.95	2.90
Rate of increase in salaries	4.45	4.40
Rate of increase for pensions in payment and deferred pensions	2.95	2.90
Discount rate	4.95	5.40

C) The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005
	%	£000	%	£000
Equities	7.50	25,710	7.90	18,740
Bonds	4.60	3,150	5.00	2,410
Property	6.05	1,800	6.45	2,000
Other	4.50	1,770	4.70	1,450
Total market value of assets		<u>32,430</u>		<u>24,600</u>
Present value of scheme liabilities		(35,680)		(26,510)
Pension scheme deficit		(3,250)		(1,910)
Net pension liabilities		<u>(3,250)</u>		<u>(1,910)</u>

D) Analysis of the amount charged to operations

	<u>31 March 2006</u>	<u>31 March 2005</u>
	£000	£000
Current service cost	2,750	1,250
Past service cost	0	0
Total operating charge	<u>2,750</u>	<u>1,250</u>

E) Analysis of the amount credited to other finance income

	31 March 2006	31 March 2005
	£000	£000
Expected return on pension scheme assets	(1,830)	(1,240)
Interest on pension scheme liabilities	1,530	880
Net return	<u>(300)</u>	<u>(360)</u>

F) Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	31 March 2006	31 March 2005
	£000	£000
Actual return less expected return on pension scheme assets	5,000	930
Experience gains and losses arising on the scheme liabilities	560	20
Changes in assumptions underlying the present value of the scheme liabilities	(4,450)	(4,400)
Actuarial loss recognised in the STRGL	<u>1,110</u>	<u>(3,450)</u>

G) Movement in shortfall during the year:

	31 March 2006	31 March 2005
	£000	£000
Shortfall in scheme in the beginning of the year	(1,910)	2,430
Movement in year:		
Current service costs	(2,750)	(1,250)
Employer contributions	0	0
Past service costs	0	0
Other finance income	300	360
Actuarial gain/(loss)	1,110	(3,450)
Shortfall in scheme at the end of the year	<u>(3,250)</u>	<u>(1,910)</u>

The actuarial update as at 31 March 2006 showed a increase in the shortfall from £1,910,000 to £3,250,000.

H) History of experience gains and losses

	31 March 2006	31 March 2005
	£000	£000
Difference between the expected and actual return on scheme assets:	500	930
Percentage of scheme assets	15%	4%
Experience gains and losses on scheme liabilities:	560	20
Percentage of the present value of the scheme liabilities	0%	0%
Total amount recognised in statement of total recognised gains and losses:	1,110	(3,450)
Percentage of the present value of the scheme liabilities	3%	13%

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