

British Transport Police Fund

Statement of Accounts for the year ended 31 March 2009

*Ordered by the House of Commons to be printed on
4 February 2010*

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Introduction

These audited financial statements are for the year ended 31 March 2009, and have been prepared using applicable accounting standards on an ongoing basis.

Statutory Background

On 1 July 2004 the British Transport Police Authority (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 the British Transport Police (BTP) transferred to the BTPA under Section 18 of the Railways and Transport Safety Act (2003). This is the fifth set of accounts BTPA has produced as an NDPB, which have been produced in accordance with the accounts direction issued by HM Treasury and also in accordance with Schedule 4, Part 3 17(a) 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 1970s BTP was 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 on the privatisation of British Rail transferred to the Strategic Rail Authority. 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 and freight 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, High Speed 1 (formerly Channel Tunnel Rail Link), the Midland Metro Tram System and Croydon Tramlink. These rail businesses provide a transport service to some five million people every day.

BTPA forms part of the national policing structure while being sponsored by the Department for Transport (DfT). The force'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.

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; and
- 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.

Operational Performance during 2008-09

In 2008-09, the force achieved 82% (18 out of 22) of its national targets and 91% of its local targets (80 out of 88) as set by the Authority. As well as this, recorded notifiable crime on the railways fell by 4.5% (70,368 to 67,217) and BTP's detection rate was up 5 percentage points (27% to 32%).

A summary of the force's performance against national targets is below:

	Target	Outcome	Achieved
1	Reduce notifiable crime by at least 2%	4.4%	Yes
2	Achieve at least a 28% detection rate for notifiable offences	32%	Yes
3	To conclude police activity which disrupts train movement within an average of 90 minutes from receiving a report of a fatal incident	75	Yes
4	Reduce live cable related offences by at least 5%	18%	Yes
5	Increase the number of offenders detected for cable related offences	51% increase	Yes
6	Seize at least £500,000 assets and cash linked to cable related offences	£1,336,867	Yes
7	Bring at least 27% of offences to justice	31%	Yes
8	Obtain at least 63 football banning orders	81	Yes
9	Reduce serious football related incidents by at least 5%	24%	Yes
10	Achieve at least 80% overall victim satisfaction	80%	Yes
11	Average time from arrest to sentence for Persistent Young Offenders to be no more than 65 days	58	Yes
12	Answer at least 90% of emergency calls within 10 seconds	86%	No
13	Answer at least 90% of non-emergency calls within 40 seconds	92%	Yes
14	Carry out CBR profiling at 95% of nominated locations every month	100%	Yes
15	Average sickness per police officer to be less than eight days	7.9	Yes
16	Average sickness per PCSO to be less than eight days	6.4	Yes
17	Average sickness per staff employee to be less than eight days	6.3	Yes
18	At least 14% of police officers recruited to be from a BME background	9.6%	No
19	At least 25% of police officers recruited to be female	14.2%	No
20	At least 5.9% of promoted police officers to be from a BME background	8.1%	Yes
21	At least 18% of promoted police officers to be female	10.8%	No
22	Achieve at least 2% efficiency savings	5.6%	Yes

- Counter Terrorism: The current position with regard to terrorism has not changed and the unit continues to operate under great pressure to maintain response capability ensuring that BTP can minimise disruption to the rail network. This is being achieved through risk management of the terrorist threat (currently severe).

- Community Engagement: BTP has developed some excellent community links and will be continuing to work with communities to understand the impact of policing on them. The National Independent Advisory Group is linked to our development of the complementary policing portfolio ensuring that the community has a strong developmental involvement in strategy, policy and practice.
- Events Policing: Our vision is to deliver effective and efficient planning and co-ordination throughout the Force. We work in partnership with other forces and agencies to provide a corporate and consistent approach and support to our internal and external stakeholders. Force Headquarters has taken over responsibility for the planning of a number of major events including Notting Hill Carnival, New Year's Eve celebrations as well as many Wembley events. The Force's planning of events is reviewed to ensure the appropriate and effective use is made of resources and the safety of both public and staff is given the highest priority. We are looking to continue to reduce serious incidents related to football whilst increasing the arrest of offenders. We have built up strong links with the railway community in terms of the management of football from an industry perspective (Rail Football Forum and Train Operators Football Alliance) and we continue to work with the Football Association, the Home Office and the UKFPU (United Kingdom Football Policing unit) and have secured some £100k of funding to support our application for banning orders for football hooliganism on the railway.

Financial Performance in 2008-09

BTPA approved a budget increase of £7m (3.7%) in 2008-09 to bring net expenditure to £194.7m. In addition Transport for London funded the provision of a policing service for London Underground of £50.3m. This increase was required to ensure that BTPA could meet its strategic objectives, including reducing crime and disorder, providing a better service to the railway community and to meet a range of unavoidable costs borne out of inflation, depreciation and the revenue effects of the second year of the modernisation programme.

Tight budgetary control was needed throughout 2008-09 to ensure that BTP increased capability and capacity by improving efficiency and effectiveness.

The result is a deficit of £17.6m. Of this £13.5m is a direct result of applying the FRS17 accounting standard to retirement benefits. The Treasury has agreed that the FRS17 charges do not need to be passed on to the railway industry and will be accounted for as part of a pension fund liability of the Force. FRS17 will therefore have no impact on the Force budget or its general reserves and can be excluded from the charges to the rail industry. This reduces the operating surplus to a deficit of £0.2m (after taking into account some necessary accounting adjustments) which is transferred to the distributable reserve.

BTPA agreed that £1.6m of the distributable reserve would be used in 2009-10 to reduce charges under the Police Service Agreements (PSAs).

The majority of Capital Expenditure for the year was fully funded by grant in aid from DfT and relates to replacing and upgrading programmes for the Force's fleet, information, communication and technology and estates to equip the Force with an infrastructure that is fit for purpose. BTPA also received specific capital grants from other organisations and government bodies, the most significant of these relate to the 2012 Olympics.

Results for Year ending 31 March 2009

This is the fifth 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 33 and the Statement of Recognised Gains and Losses on page 34. The Balance Sheet and Cash Flow Statement are shown on Pages 35 and 36 respectively.

The Income and Expenditure account on page 33 indicates a deficit of £17.6m. After adjusting for the impact of FRS17 (pensions) and contributions to reserves, there is an underlying deficit for the year of £0.2m.

Effect of Judicial Review

The Railways and Transport Safety Act (2003) places on BTPA a requirement to balance its costs with revenues through Police Service Agreements both in aggregate and in respect of individual users. The relevant section of section 33 of the Act states as follows:

33 Police services agreement

- (3) *A police services agreement shall include provision requiring the customer to make payments to the Authority, which may be payments of—*
- (a) specified sums, or*
 - (b) sums assessed in a specified manner (which may include reference to amounts paid, or expected to be paid, by the Authority).*
- (4) *In determining the terms in a police services agreement of provision about payment the Authority shall aim to ensure that—*
- (a) in each financial year the expenses of the Authority, including those incurred in defraying the expenses of the Police Force, are as nearly as possible equivalent to the income of the Authority, and*
 - (b) the amount of the contribution to the expenses of the Authority made by each customer in a financial year approximately reflects the nature and extent of the functions likely to be undertaken in that year in accordance with the customer's police service agreement.*

Under section 33(4) as stated above, the amount of the contribution from PSA holders has to approximately reflect the nature and extent of the functions likely to be undertaken for the PSA holder. These costs are allocated by the Authority between Users on the basis of various factors distilled into a formula.

Prior to the above Act, the funding method expressed individual users' liabilities as a fixed proportion of the total budget. These proportions were originally calculated based on data in 1994 and were varied in 1998 following work done by BTPA's predecessors to introduce a charging model which allocated costs to activities undertaken. Agreements signed between 1998 and 2007 were based on the fixed proportion formula being used under the "old PSAs" – generally based on the same proportions charged to the previous franchise holders.

From 1 April 2007 a new model was introduced by the Authority with the aim of complying with the requirement to balance its costs and revenues to Police Service Users both in aggregate and to make an equitable charge in respect of individual users, which the Authority considered was not fully met in respect of agreements entered into before the implementation of the 2003 Act (the "old PSAs"). The Authority calculated all charges based on this new model (described as "new model PSAs" later in this note). Applying the new model to PSA Holders with "old PSAs" had the effect of significantly increasing the charges to some and reducing the charge to others. Those whose franchises had been entered into after the new model had been introduced were charged according to the new model as this was the only version of the PSA available to them at the time their franchise was entered into.

The introduction of the new model was subject to challenge by two Train Operating Companies on "old PSAs" through a Judicial Review.

Prior to the Judicial Review, one Train Operating Company invoked the arbitration procedure under section 35 of the Act, which provides for the settlement of disputes between the Authority and a person who has entered into a Police Services Agreement, where the dispute is about the terms, construction or operation of the agreement. The Secretary of State determines the procedure to be followed and appoints the arbiter, who can (a) give a declaration about how a provision of a police services agreement is to be construed or operated; (b) vary the terms of a Police Services Agreement; (c) determine that one party is obliged in accordance with a Police Services Agreement to pay a specified sum, or a sum to be assessed in a specified manner, to the other party; and (d) make an order about costs.

This arbitration process (which began on 31 January 2007) has been held in abeyance pending the results of the Judicial Review. This arbitration was reactivated in December 2009.

The Judgment in the Judicial Review was issued on 20 March 2009. It found in favour of the challenge ruling that the statutory framework established by the 2003 Act did not give the Authority the power to impose the new charging model, and that the charging arrangements set out in the "old PSAs" had to be adhered to. The new model cannot therefore be applied to "old PSA" holders. The only way this can be achieved is by terminating the "old PSAs", and entering into new ones. Under the terms of the PSA, PSA holders are entitled to four years' notice and notice had not been given. This notice has now been given but the contractual requirements mean that the existing arrangements will continue until 2013. A new PSA will then be introduced, which will enable an updated charging model to be used.

The result is that for those PSA Holders on the "old PSAs", the charges for 2007-08 and 2008-09 (and future years) until existing agreements come to the end of their term on 31 March 2013) could not be calculated according to the new model and the formula which operated previously had to be applied in their case. "Old PSA" Holders that have been charged in 2007-08 and 2008-09 according to the new model have had their charges recalculated according to their "old PSA". As a result, some will be entitled to refunds, because their revised charge is less than the original amount billed, and some will be required to pay more, because the revised charge is more than the amount originally billed.

The total to be refunded in respect of 2007-08 and 2008-09 is: £21,975,428

The total of additional charges in respect of 2007-08 and 2008-09 is: £13,649,460

These figures have been reflected in the income, debtors and creditors reported in these accounts.

The formula that is used to calculate individual PSA Holders' charges under the "old PSAs" and that which is used to calculate individual PSA Holders' charges under the "new model" do not, when the sums due are added together, recover 100% of the Authority's budget when strictly applied according to the Judgment. The judge ruled that this deficit cannot be recovered from the PSA holders as a whole.

The amounts irrecoverable as a result of the Judgment are:

2007-08	£3,473,478
2008-09	£4,852,490

The Department for Transport has undertaken to provide support by way of grant in respect of any irrecoverable amounts resulting from the fact that amounts which can be charged to PSA Users do not recover the totality of BTPA's budget requirement.

The Department will also support BTPA with loans to assist in any cashflow difficulties until the issue can be resolved.

Formal notice has been given to all PSA Holders – contracted under both "old PSAs" and "new model PSAs" – so that a revised PSA will apply from financial year 2013-14 – the earliest that this can be applied because of the four year notice required under "old PSAs". The rail industry will be consulted as to the most appropriate way of recovering BTPA's approved net expenditure.

Two of the Train Operating Companies have sought leave to appeal the findings of the Judicial Review but this is unlikely to be resolved for some time.

The 2008-09 accounts are presented on the basis of the Authority's interpretation of the Judgment, having taken into account advice from its lawyers supported by a first and second opinion from leading counsel. At this stage, the impact of the revised charges remains uncertain as any PSA Holder is entitled to go to arbitration on its charges or to challenge the result of the Judgment in the courts. It could be some time before the full implications are known.

As part of the review of the amounts charged to PSA Holders as a result of the Judicial Review, work was undertaken to verify the accuracy of the charges made in the years from 1 April 2000 to 31 March 2007 because the base year for the fixed proportion charges under the "old PSAs" was 1999/2000.

A detailed examination of the charges made revealed a number of inaccuracies in the amounts charged because of franchise changes and other errors. As a result, some PSA Holders were charged too much and some too little. In every case where an incorrect charge was made, a representative of the relevant PSA Holder has been provided with a detailed calculation showing the amount due to or from BTPA.

The total to be refunded in respect of the years 2000-01 to 2006-07 is £15,864,830

The total of additional charges in respect of the years 2000-01 to 2006-07 is £10,781,164

These figures have been reflected in the income, debtors and creditors reported in these accounts.

The Department for Transport has indicated that the arrangements for loans and/or grants made in respect of the results of the Judicial Review can also be used for these issues, although details of the specific application of these arrangements remain to be clarified.

Pensions

BTP has adopted FRS 17 (Retirement Benefits) in full. This has resulted in all the assets and liabilities for each defined benefit scheme run on BTP's behalf by Railways Pensions Management Ltd being disclosed. (See Note 29 to the accounts). The accounting policy for pensions is disclosed in Note 1.8 to the Accounts.

Going Concern

The opening balance sheet as at 1 April 2008 shows net pension liabilities of £189.9m. This is due to 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 Department for Transport as sponsoring department has agreed to underwrite any losses incurred by BTPA due to FRS 17.

The net liability of the scheme on 31 March 2009 was £292.1m, an increase of £102.2m in the year. The increase is due to a fall in asset values during the year caused by volatility in the financial markets. This liability is accounted for as a negative pension reserve. This sum therefore has no impact on the underlying basis for meeting BTPA's current and ongoing pension liabilities. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The implications of the judgement in the Judicial Review on the method of charging Train Operating Companies for Police Services, has resulted in a general reserve of £31.0m as at 31 March 2009.

Because of the agreement with the Department for Transport, the Authority is confident that sufficient resources are available (from PSAs, from service income and from grants from the Department) to meet its approved expenditure needs. Accordingly it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Post Balance Sheet Events

Since the date of the Balance Sheet, two of the Train Operating Companies have sought leave to challenge the findings of the Judicial Review but this is unlikely to be resolved for some time. In addition, another Train Operating Company has raised a dispute under the arbitration procedure but this was held in abeyance pending the results of the Judicial Review. It was reactivated in December 2009.

The immediate results of the Judicial Review into the Charging Methodology have been reflected in the Accounts. However it is likely that there may be further developments as sums become irrecoverable or further litigation/disputes are resolved. On 16 November 2009 an agreement was signed between BTPA and Department for Transport to assist in any cash flow difficulties and grant issues.

These financial statements were authorised for issue on 28 January 2010.

Charitable and Political Donations

The Authority and Force make no political or charitable donations.

Research & Development

BTP 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 the Force.

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 BTP decision-makers;
- Consultation with passengers, victims of crime, rail staff and other stakeholders to ensure that their views are taken into account when setting targets and priorities;
- Identification and sharing of best practice with other police forces and organisations to improve processes and ways of working;
- Use of cutting edge mobile data technology to increase time spent by officers on core policing duties; and
- Regular analysis of intelligence and other information to optimise use of resources.

Communications and Employee Involvement

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

Sickness Absence

BTP is committed to maintaining a high level of attendance from police officers and police staff since this is essential to the maintenance of an efficient and effective policing service.

BTP's sickness absence monitoring is based on three principles:

- The development of an integrated and positive approach, which actively seeks to promote the overall health and wellbeing of BTP employees;
- A positive and proactive approach to sickness management that combines consistent, supportive and equitable procedures with clear expectations of good attendance; and
- Robust procedures for authorising and recording sickness absences, ensuring consistency, fairness and the early identification of welfare needs.

The 2008-09 sickness target is an average of not more than 8 days per person (2007-08: 8 days)

Actual days sickness per person during 2008-09 were:

	2008-09	2007-08
Police Officers	7.95	10.40
Police Staff	6.32	10.54
Police Community Support Officers	6.36	10.48

Equality and Diversity

BTP strives to have a workforce which reflects the community it serves. This is reflected at a strategic level through objectives set for recruiting and progressing Black, Minority, Ethnic and women police officers, and through ensuring that diversity is embedded in everything we do.

BTP is committed to eliminating unlawful discrimination against disabled people and to ensuring that disabled people can participate fully in the working of the organisation. In pursuing these commitments BTP acknowledges the statutory duties under the Disability Discrimination Act 1995 (DDA), the Disability Discrimination Act 2005 and the Human Rights Act 1998.

Progress against these objectives is closely monitored by both BTP and the Authority. Success on these objectives is supported through positive action initiatives and work undertaken to increase retention and progression of under-represented groups to higher ranks and grades.

Auditors

The accounts of the Authority are audited by the Comptroller and Auditor General (C&AG) under the Railways and Transport Safety Act (2003). The cost of the audit is £140,000. In addition the National Audit Office performed an audit of a restated balance sheet as at 1 April 2008, in preparation for the full implementation of International Financial Reporting Standards with effect from the 2009-10 accounts. The cost of this audit is £10,000. 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.

Reporting of Data Related Incidents

BTP maintains a Force Information Security Manual which sets out procedures relating to information security incidents. BTP is also part of the National Police Warning and Reporting Process (PoLWARP) to communicate any incidents which may impact on other police forces.

The Force has robust policies relating to how information can be provided and the form in which it can be provided; there are controls for the use of USB memory sticks and laptop encryption has been implemented.

There have been no incidents of security breaches in relation to personal data in 2008-09.

Environmental Management Policy

BTP has remained committed to the environmental strategy agreed by the Police Authority and has continued to adopt a programme of continuous improvement to ensure that we meet our legal environmental requirements and adopt best practice.

Through the programme of works undertaken under either the capital budget or the property maintenance programme this year, we have:

- Met all applicable legislative and other requirements in new works;
- Sought to reduce consumption of materials in our operations, reusing rather than disposing whenever possible, and promoting recycling and the use of recycled materials; and
- Designed energy efficiency into new services, buildings and equipment.

BTPA is required to adopt the sustainability targets set by Government and to have its performance reported by the Department for Transport to the Sustainability Development Commission. To take this forward, BTP has undertaken some work with the Department for Transport to develop its base position and a range of measuring processes are being put in place to measure our performance and to map against the targets. The objective is to achieve the vision for the government estate of a sustainably managed estate by the use of:

- Modern, resource efficient, with low energy buildings;
- Efficient in the use of space and ways of working, and
- Embedding of the principles of sustainable development in our working practices;

and to be measurable (during the course of the coming year) against the targets which have been set in respect of:

- Climate change and energy;
- Sustainable consumption and production; and
- Natural resource protection.

Social & Community Issues

Community engagement forms an essential element of BTP policing strategy. The Force is dedicated to ensuring that the best traditions of British policing, namely public consent, community trust and citizen focused assistance form unique, yet cohesive, parts of our overall policing strategy. Over the past year BTP has continued to progress community engagement mechanisms and links in order to build upon these values.

Established community engagement groups, namely the National Independent Advisory Group (NIAG), the Pan London Independent Advisory Network and North West and North East citizen panels, continue to provide us with valuable insight into the various concerns that are affecting the community we serve. In order to ensure we retain a focus on local concerns and priorities, the National Neighbourhood Policing model continues to be the mechanism through which our Neighbourhood Policing Teams develop Key Individual Networks (KIN). This community engagement model ensures the link between local and strategic community consultation.

The continued use of Stop and Search, in particular Section 44, remains an area of concern within a number of key community groups. In order to address these concerns, by providing our community with relevant and up-to-date statistics in relation to our Stop and Search activity, we strive to continually improve liaison with key community groups such as The Muslim Safety Forum, The Hindu Forum of Great Britain and the Community Security Trust amongst others. The multi-lingual Community Stop and Search DVD together with the Community Impact Assessment process continues to ensure community concerns are taken into account when assessing the impact our Stop and Search activity has on the community as a whole. Additional translations in Spanish have been made through an internet site for the Latin American Community.

Numerous engagements have taken place. Community members have fed into events such as Notting Hill Carnival, New Year's Eve and a host of local operations. The Secret Policeman raised some challenges for the BTP but this was dealt with through convening NIAG and a Gold Group was separately set up to deal with the issue. Community members have provided feedback in relation to policy, advice following critical incidents and attendance at Gold Group level. BTP Neighbourhood Policing Teams hold Partnership and Communities Together (PACT) meetings on a local level together with public surgeries enabling BTP to set local priorities and targets.

The development of the Prevent agenda led to community workshops and it is envisaged that the community within BTP will continue to be consulted as we drive this forward.

Payment of Creditors

BTPA observes the principles of the Confederation of British Industry "Prompt Payment" Code and aims to pay all approved invoices in accordance with its stated payment terms or otherwise within 30 days of receipt of a valid invoice; in 2008-09 performance was 65% (2007-08 59%). BTPA uses the Government Procurement Card for small, low risk payments. These are paid immediately to the supplier and are not included in the statistics above.

Future Developments

Operations

The Operations Department continues to respond to increasing demands and will be focusing on the following issues as a priority:

- Community Engagement and Partnerships: Neighbourhood Policing continues to grow in the Force. This raises challenges around training, marketing, public information as well as the development of the teams themselves in operating within a Neighbourhood Policing Team focus and integration into tasking. The BTPA evaluation indicates the direction of our focus for improvement and the vision document sets out the way in which Neighbourhood Policing will continue to be delivered;
- Complementary policing: BTP will continue to promote the Railway Safety Accreditation Scheme with the aim of increasing the number of accredited companies in the next year. We will continue to develop the use of Police Community Support Officers and volunteer Special Constables to increase our overall visibility;
- Managing fatalities and route crime: BTP will continue to work with the railway industry to minimise disruption to the rail network. Through partnership groups and direct liaison we will tackle route crime issues and act as the point of contact for Network Rail. The Suicide Prevention and Quality Assurance group maintain our focus through the management of fatalities looking at ways in which these types of incidents can be reduced. Fatality management will continue to be a key priority for the Force in managing disruption;
- It is proposed to recruit a volunteer manager to trial a volunteer programme in London South;
- Government's Contest Strategy: Workshop groups have taken place and BTP hosted a visit from HM Inspector of Constabulary in February around our Prevent Activity. The feedback here was positive but there is a lot of work needed to develop this. Application has been made outside BTP for funding to drive this forward; and
- During 2009 the citizen focus agenda will impact on BTP as we seek to establish how we are doing against the hallmarks of how an organisation demonstrates how it is citizen focused.

Staffing Plans

BTP's future staffing plans for 2009-10 include:

- Implementation of the Transforming HR Programme in line with the Frontlinefirst objectives of efficiencies and improved services throughout BTP support services;
- Implementing the options identified through the pay and grading review to ensure that BTP's salary structures are competitive and comply with equal pay legislation;
- Enhancing the HR management system (ORIGIN) to increase functionality and support operational management information requirements through self service; and
- Development of a corporate programme of learning and development in line with the policing plan objectives and personal development needs.

Risks Facing BTPA

BTPA maintains a Strategic Risk Register which is reviewed by members of the Authority and senior management on a regular basis. The major risks facing BTPA are currently:

- Terrorism threat;
- Effect of economic recession on levels of crime and availability of funding; and
- Effect of Judicial Review on funding of service.

2009-10 Budget

At the March 2009 meeting of the BTPA, members approved a net revenue budget for overground services and the Authority's own budget of £203.10m – an increase of 4.3%. It was further agreed that PSA charges should only be increased by 3.5%, with the shortfall of £1.6m being met from the distributable reserve and efficiency savings.

The London Underground budget was agreed at £51.7m, an increase of 2.8%. This is entirely funded by Transport for London.

SIGNED**Andrew Trotter****Accounting Officer****Date 18 January 2010****SIGNED****Millie Banerjee****Chair BTPA****Date 18 January 2010**

British Transport Police Authority

Remuneration Report

Remuneration Policy

The remuneration policy for BTPA 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 in respect of:

- Employment and retention policies and strategies;
- Training and development plans;
- Diversity and equality strategies and policies to implement them;
- Specific management reviews within the terms of reference;
- Staff attitude surveys and/or cultural audits; and
- Relevant HMIC recommendations.

To ratify/agree:

- Major changes to pay and conditions of all staff;
- Relevant Force policies, e.g. health and safety, diversity and equality; and
- The Authority's own policies in relation to HR issues.

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

- Christine Knights – Chair;
- Lew Adams;
- Ron Culley;
- Wendy Towers; and
- Mike Brown (until 31 July 2008).

The HR&R Committee holds formal scheduled meetings – four were held in 2008-09. Four meetings are scheduled for 2009-10.

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 for various groups as set out in the 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 – Millie Banerjee CBE;
- Deputy Chair – Sir David O’Dowd CBE, OStJ, QPM, DL, DipSoc, BA, MSc, DSc(Hon), CCMI;
- 7 members with knowledge and experience in relation to the interests of persons providing railway services;
- 1 member who has knowledge of and experience in relation to the interests of employees;
- 1 member who has knowledge of the interests of persons in Scotland and who is appointed following consultation with the Scottish Minister;
- 1 member who has knowledge of the interests of persons in Wales and who is appointed following consultation with the National Assembly for Wales;
- 1 member who has knowledge of the interests of persons in England; and
- 4 members who have knowledge of and experience in relation to the interests of persons travelling by railway.

The table below provides details of appointment and service contracts for BTPA members and senior officers for 2008-09.

Appointment/Service Contracts

Members	Commencement of Appointment	Term expiry date as at 31 March 2009	Notice period required	Main role/ background
Sir Alistair Graham	02-02-2004	30-09-2008	3 months	Chairman
Millie Banerjee CBE	01-12-2008	30-11-2012	3 months	Chairman
Sir David O’Dowd CBE, OStJ, QPM, DL, DipSoc, BA, MSc, DSc(Hon), CCMI	01-07-2004	30-06-2011	3 months	Deputy Chair
Lew Adams OBE	01-07-2004	30-06-2010	3 months	Employee Matters
Colin Foxall CBE	04-07-2005	03-01-2013	3 months	Passenger Interests & Wales
Ian Dobbs	01-02-2008	31-01-2012	3 months	Knowledge of Industry
Robin Gisby	01-07-2004	30-06-2010	3 months	Knowledge of Industry
Michael Holden	01-07-2004	30-06-2012	3 months	Knowledge of Industry
Jeroen Weimar	01-07-2006	30-06-2010	3 months	Knowledge of Industry
James King	01-07-2004	30-06-2012	3 months	Passenger Interests and Scotland
Christine Knights	01-07-2004	30-06-2010	3 months	Passenger interests
Suzanne May OBE	01-07-2004	30-06-2010	3 months	Passenger Interests
Ray O’Toole	17-10-2005	16-10-2009	3 months	Knowledge of Industry
Wendy Towers	01-07-2004	30-06-2012	3 months	Passenger Interests and England
Michael Brown MVO	31-07-2004	30-06-2009	3 months	Knowledge of Industry

Ron Culley	01-06-2008	31-05-2012	3 months	Knowledge of Industry
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Members do not receive termination payments when they leave the Authority.

Appointment/Service Contracts *(continued)*

	Commencement of Contract	Term expiry date as at 31 March 2009	Notice period required	Main role
Senior Officers				
Richard Hemmings	01-07-2004	30-06-2010	6 months	Chief Executive & Clerk
Peter Haddock*	09-06-2008	08-06-2011	1 month	Deputy Chief Executive
Elizabeth Pike	01-06-2004	31-05-2010	1 month	Treasurer
	Commencement of Contract	Term expiry date as at 31 March 2009	Notice period required	Main role
Chief Officers Group				
Sir Ian Johnston	01-05-2001	01-09-2009	6 months	Chief Constable
Andrew Trotter	05-01-2004	01-08-2011	3 months	Deputy Chief Constable
Sharon Burd	01-01-2008	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 Crowther	29-07-2008	Permanent appointment	3 months	ACC (Crime)
Alan Pacey	09-01-2006	Permanent appointment	3 months	ACC (Operations)
Steven Thomas	01-07-2007	Permanent Appointment	3 months	ACC London & Olympics

Sir Ian Johnston, the Chief Constable, left the Force on 1 September 2009. Andrew Trotter was appointed as his successor as Chief Constable.

* Peter Haddock is on secondment from the Home Office. The cost of the secondment in 2008-09 is £63,800.

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; and
- 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), and 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 Police Authority.

The salary of members and senior officers (Audited)

	Salary Bands 2008-09	Value of 'non-cash' benefits 2008-09	Salary Bands 2007-08	Value of 'non-cash' benefits 2007-08
	£000s	£	£000s	£
Members				
Sir J Alistair Graham	30.00–35.00	n/a	30.00–35.00	n/a
Millie Banerjee	5.00–10.00	n/a	n/a	n/a
	(full year equivalent 30.00–35.00)			
Sir David O'Dowd	30.00–35.00	n/a	25.00–30.00	n/a
Lew Adams	15.00–20.00	n/a	15.00–20.00	n/a
Colin Foxall	15.00–20.00		15.00–20.00	n/a
Ian Dobbs	0.00–5.00	n/a		
Robin Gisby*				
Michael Brown	5.00–10.00	n/a	15.00–20.00	n/a
Michael Holden	15.00–20.00	n/a	15.00–20.00	n/a
James King	30.00–35.00	n/a	20.00–25.00	n/a
Christine Knights	20.00–25.00	n/a	20.00–25.00	n/a
Jeroen Weimar	0.00–5.00	n/a	10.00–15.00	n/a
Suzanne May	15.00–20.00	n/a	15.00–20.00	n/a
Ray O'Toole	15.00–20.00	n/a	15.00–20.00	n/a
Ron Culley	15.00–20.00	n/a	n/a	n/a
Wendy Towers	15.00–20.00	n/a	15.00–20.00	n/a
<i>*No salary taken</i>				
Senior Officers				
Richard Hemmings	110.00–115.00	n/a	110.00–115.00	n/a
Peter Haddock	n/a	n/a	n/a	n/a
Elizabeth Pike	40.00–45.00	3,500	35.00–40.00	2,500
Chief Officers Group				
Sir Ian Johnston	200.00–205.00	8,100	195.00–200.00	7,500
Andrew Trotter	155.00–160.00	9,500	145.00–150.00	8,600
Sharon Burd	120.00–125.00	n/a	25.00–30.00	n/a
			(full year equivalent 115.00–120.00)	
David McCall	105.00–110.00	10,000	100.00–105.00	9,200
Linda Scott	115.00–120.00	2,800	105.00–110.00	2,000
Steven Thomas	110.00–115.00	9,600	125.00–130.00	3,200
Paul Crowther	100.00–105.00	10,200	90.00–95.00	7,600
Alan Pacey	115.00–120.00	3,500	105.00–110.00	3,500

Note: The estimated value of benefits in kind does not form part of "salaries" 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.

The pay award for BTP senior officers is performance-linked through the Performance and Development Review Programme.

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 – British Transport Police Section. This is a registered pension scheme and intended to be a fully funded scheme which provides benefits on a “final salary basis” at a normal retirement age of 60. Benefits accrue at the rate of 1/60th of pensionable pay (less 1.5 times the basic State Pension) for each year of service. In addition, a lump sum equivalent to 1/40th of pensionable pay for each year of service is payable on retirement. Members pay contributions of 9.2 per cent of pensionable earnings (less 1.5 times the basic State Pension). 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.

CETVs 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 account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) utilising commonly-used standard market valuation factors for the start and end of the year.

The tables below provide pension details for senior officers of the BTPA and BTP.

Increase in Pensions in Year (Audited)

Real Increase in Pension 2008-09	Accrued Pension (Bands)	Lump Sum at 60 (Bands)
	£000s	£000s
Authority Officers		
Richard Hemmings	0.0–2.5	0.0–2.5
Peter Haddock	n/a	n/a
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	2.5–5.0	0.0–2.5
Sharon Burd	0.0–2.5	0.0–2.5
David McCall	0.0–2.5	0.0–2.5
Linda Scott	2.5–5.0	2.5–5.0
Steven Thomas	0.0–2.5	5.0–7.5
Paul Crowther	12.5–15.0	2.5–5.0
Alan Pacey	10.0–12.5	2.5–5.0

Pension values at 31 March 2009 in bands of £5,000 (Audited)

Pension Value at 31/03/09	Accrued Pension (Bands)	Lump Sum at 60 (Bands)
	£000s	£000s
Authority Officers		
Richard Hemmings	5.0–10.0	5.0–10.0
Peter Haddock	n/a	n/a
Elizabeth Pike	0.0–5.0	0.0–5.0
Chief Officers Group		
Ian Johnston	10.0–15.0	10.0–15.0
Andrew Trotter	10.0–15.0	5.0–10.0
Sharon Burd	0.0–5.0	0.0–5.0
David McCall	10.0–15.0	5.0–10.0
Linda Scott	30.0–35.0	30.0–35.0
Steven Thomas	0.0–5.0	5.0–10.0
Paul Crowther	50.0–55.0	50.0–55.0
Alan Pacey	55.0–60.0	55.0–60.0

Cash Equivalent Transfer Values (CETV) (Audited)

	CETV		
	Value at 01/04/2008	Real Increase 2008-09	Value at 31/03/2009
	£000s	£000s	£000s
Officers			
Richard Hemmings	114	17	131
Peter Haddock	n/a	n/a	n/a
Elizabeth Pike	13	14	27
Chief Officers Group			
Ian Johnston	237	54	291
Andrew Trotter	256	0	256
Sharon Burd	6	29	35
David McCall	218	1	219
Linda Scott	406	66	472
Steven Thomas	9	20	29
Paul Crowther	706	158	864
Alan Pacey	958	149	1,107

SIGNED**Andrew Trotter****Accounting Officer****Date 18 January 2010****SIGNED****Millie Banerjee****Chair BTPA****Date 18 January 2010**

Statement of Authority Members' Responsibilities

The BTPA shall have not less than eleven and not more than seventeen members all appointed by the Secretary of State. The Secretary of State currently appoints fifteen members. They are appointed with knowledge variously of the interests of those travelling by railway, those running railway services, of rail staff and of persons each in England, Scotland and Wales.

The Authority has, amongst others, the following responsibilities to:

- Maintain an efficient and effective policing of the railways;
- Consult with a wide range of stakeholders about policing the railway network;
- Undertake any direction given by the Secretary of State for Transport for policing the railways;
- Establish an annual policing plan plus a three-year strategic plan; and
- Set a budget for the BTP.

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

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

The present members of the British Transport Police Authority and the Chief Officers Group are as follows:

Urmila Banerjee CBE Chairman from December 2008

As well as being the Chairman of the Authority, Millie is a Non-Executive Board Member at the Office of Communications (Ofcom) and a Trustee of the Peabody Trust and of NHS Newham Primary Care Trust.

Authority Member responsibility: Police Services Agreement Liaison
Strategy, Budget and Performance Monitoring (Chair)

Sir David O'Dowd CBE, OStJ, QPM, DL, DipSoc, BA, MSc, DSc (Hon), CCMI – Deputy Chair (Acting Chair to December 2008)

Sir David also holds the following appointments – Consultant with Northgate Information Solutions Limited (until September 2008); Law enforcement advisor with Control Risk Ltd (until March 2009). In a voluntary capacity Sir David is a Governor of the University of Northampton and member of the court of the University of Leicester. He is also a Deputy Lord Lieutenant for the County of Northamptonshire.

Authority Member responsibility: Chairman of the Audit and Governance Committee
Strategy, Budget & Performance Monitoring Committee
North West Area
National Crime Recording Standard

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.

Authority Member responsibility: Human Resources and Remuneration Committee
Stakeholder Relations and Communication Strategy Committee
London North Area
Route Crime
Health and Safety

Michael Brown MVO – Knowledge of Industry

Michael is a Director of London Underground Limited.

Authority Member responsibility: Human Resources and Remuneration Committee
Professional Standards
London North Area
Counter terrorism

Ian Dobbs – Knowledge of Industry

Until February 2009 Ian was the Chief Executive of the Rail Division of Stagecoach Group PLC.

Ian is also a Director of the Association of Train Operating Companies and is a Member of the National Task Force on Rail.

Authority Member responsibility: Professional Standards Committee
Strategy, Budget and Performance Monitoring Committee
London South Area
Staff Assaults

Colin Foxall CBE – Knowledge of Passenger Interests and Wales

Colin holds the following appointments – Chairman of Passenger Focus (formerly the Rail Passenger Council), a Secretary of State appointment, and is a part-time employee of AonBenfield.

Authority Member responsibility: Audit and Corporate Governance Committee
Professional Standards
Wales and Western Area
Theft of Passenger Property
Finance

Robin Gisby – Knowledge of Industry

Robin is an employee of Network Rail and is a director of Northern Rail.

Authority Member responsibility: Strategy, Budget and Performance Monitoring Committee
Olympic Committee
London South Area
Fatality Management
Property

Michael Holden – Knowledge of Industry

Michael is a Director of Coledale Consulting Limited, an Associate of First Class Partnerships and holds non-remunerated directorships in Railway Children Ball Limited and Railway Children Limited – both charitable organisations.

Authority Member responsibility: Strategy, Budget and Performance Monitoring Committee
Audit and Corporate Governance Committee
London South Area
Robbery
Efficiency Programme

James King – Knowledge of Passenger Interests and Scotland

James is an employee and director of Marketing Principals International Limited. James is also a member of both Passenger Focus and the Public Transport Users' Committee for Scotland.

Authority member responsibility: Stakeholder Relations and Communication
 Strategy Committee (Chair)
 Strategy, Budget and Performance Monitoring Committee
 Scotland Area
 Neighbourhood Policing
 Anti-Social Behaviour
 Diversity (External)
 Consultation/Communication
 Stop & Search
 Police Plan Working Group
 Critical Incidents
 Scottish Interests

Christine Knights – Knowledge of Passenger Interests

Christine is a Member of Passenger Focus and is a member of the Board of Governors of the Westminster Foundation for Democracy.

Authority Member responsibility: Human Resources and Remuneration Committee (Chair)
 Strategy, Budget and Performance Monitoring Committee
 North East Area
 Violent Crime
 Diversity (Internal Employment and Gender)
 HR Strategy

Jeroen Weimar – Knowledge of Industry

Jeroen is an employee of Transport for London and is a trustee of the Safer London Foundation.

Authority Member responsibility: Strategy, Budget and Performance Monitoring Committee
 Audit and Corporate Governance Committee
 Wales and Western Area
 Efficiency Programme

Suzanne May OBE – Knowledge of Passenger Interests

Suzanne is Company Secretary, Mayday Management Services Ltd and life Vice-President of Campaign for Better Transport (formally Transport 2000).

Authority Member responsibility: Chairman Olympic Steering Group
 Audit and Corporate Governance Committee
 Stakeholder Relations and Communication
 Strategy Committee
 London Underground Area
 Neighbourhood Policing
 Graffiti
 Member Development
 Independent Custody Visiting

Ray O'Toole – Knowledge of Industry

Ray is Chief Executive of National Express Co Limited

Authority Member responsibility: Strategy, Budget and Performance Monitoring Committee
Stakeholder Relations and Communication
Strategy Committee
FHQ Area
Police Service Agreement Liaison
Football

Wendy Towers – Passenger interests

Wendy is a Board member of the Security Industry Authority.

Authority Member responsibility: Professional Standards Committee (Chair)
Human Resources and Remuneration Committee
FHQ Area
Hate Crime
Diversity (Internal)

Ronald Culley – Knowledge of Industry

Ron is Chief Executive of Strathclyde Partnership for Transport and is Director General of Strathclyde Passenger Transport Authority. He is also a Board Member of the Wise Group and is Chairman of the Human Resources Committee thereof. In a voluntary capacity he is an Honorary Member of Harmony Row Youth Club.

Authority Member responsibility: Human Resources and Remuneration Committee
Professional Standards Committee
NW England Area
Counter-terrorism

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

The Accounting Officer of the Department for Transport 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's assets, are set out in the HM Treasury's publication Managing Public Money.

Statement on Internal Control

Scope of responsibility

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

The Chair and Vice Chair meet with the ministerial team on a regular basis to discuss relevant issues of policy and strategy. The Chief Constable also meets with the Secretary of State and his team on a regular basis.

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 Force 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 2009 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The BTPA and all Chief Officers and Senior Managers recognise that the responsibility for risk management should be driven from the top. As a result, my Chief Officer Group and I, together with the BTPA Treasurer, have taken the lead on risk management.

A Corporate Governance and Risk Management process is in operation for BTP with the endorsement and supervision of the BTPA's Audit and Corporate Governance Committee and of my Chief Officer Group (COG).

We have established a Corporate Risk Team, headed by a professional risk manager and supported by a Risk Management Coordinator. In addition, each Chief Officer and Area Commander has a Risk Representative to act as the single point of contact in their portfolio or area. The Risk Representatives assist the Force Risk Management Coordinator to provide the necessary co-ordination of and the guidance on the Risk Management methodology to senior managers, and risk and action owners. A training programme for risk representatives has been established to enable them to carry out this function effectively, with seminars held to promulgate best practice and introduce process improvements. One-to-one training and support for risk representatives is also provided.

Specialist areas such as health and safety, information management, technology and project management have dedicated Boards which include provision for risk reporting. Other business risks are managed through a corporate assurance structure which allows escalation or transfer of risks to the appropriate area, portfolio, corporate or strategic risk register in accordance with a consistent methodology.

Good practice regarding risk management is promulgated through Corporate Assurance Group and Risk Committee meetings which provide a forum for the demonstration of good corporate governance across BTP. Lessons learned are reported to Force Management Team meetings.

The Risk and Control Framework

The BTPA Governance Statement sets out the responsibilities of BTPA to hold BTP to account in relation to its risk management arrangements, review of the efficacy of risk management strategies and the requirement to have procedures in place to address any weaknesses.

To ensure that BTP's risk management processes operate in accordance with the content of the Governance Statement, a BTPA approved Risk Management policy and Standard Operating Procedures have been adopted. The associated documents establish the approach to risk management within BTP and explain the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties. The Strategic Plan and Policing Plan detail the objectives BTP is required to achieve and the risk management policy establishes the framework by which risks to the achievement of these objectives should be managed. It includes processes for monitoring and reporting risk as well as escalation procedures. Specific risks were updated during the 2008 strategic planning process. Review periods are determined appropriate to the level and status of the individual risks.

BTPA monitors the effectiveness of risk management by BTP via the Audit and Corporate Governance (ACG) Committee. This committee meets quarterly and provides a forum for the review of internal and external audits in addition to the arrangements for risk management. The BTPA members of the ACG Committee have responsibility for:

- Conveying their attitude towards risk management to the Accounting Officer;
- Making decisions which affect BTP's risk profile of exposure;
- Ensuring the risk strategy is proportional to the impact of risk; and
- Reviewing, at least annually, 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 BTP's systems of internal control; and
- Examine and report annually on BTPA's risk management and corporate governance arrangements. In 2008-09, the focus of the internal audit was corporate governance and the audit recognised a lack of cohesion between BTP and BTPA's approaches to risk management. Significant progress against the findings of the audit has been achieved.

In addition to ACG, risk management is a standing agenda item at a number of key BTPA and BTP meetings, including:

- A quarterly COG meeting, chaired by the Chief Constable, ensures that the Chief Officers, as the sponsors of risks, have accountability for their mitigation and are responsible for identifying and approving new and closed strategic risks;
- The quarterly Risk Committee chaired by the Director of Finance and Corporate Services ensures that the management of risk in specialist areas is consistent with the risk management policy and provides a level of assurance about the adequacy of internal control within BTP;
- The monthly Corporate Assurance Group (CAG), chaired by the Head of Risk Management which reviews the content of the strategic risk register as well as quality assuring the risk management process;
- Monthly area and portfolio meetings provide a platform for the identification of new risks and for reviewing existing operational risks; and
- Specific Boards review risks pertaining to health & safety, technology, information management and projects.

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

Risk appetites are determined by the ability of the individual area or portfolio to manage that risk successfully without recourse to other parts of the business, and an escalation process is in place for risks falling outside those limits.

In keeping with the approach adopted within the wider Police Service, BTP monitors and reports its alignment with current Government information assurance standards through the Community Security Policy. This has been updated, approved by the Deputy Chief Constable and submitted to the National Policing Improvement Agency (NPIA), who collate and submit a response on behalf of the Police Service. There have been no reportable data losses.

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 Chief Officers within the departments, who have responsibility for the development and maintenance of the internal control framework, and for addressing comments made by the external auditors in their management letter and other reports. I have been advised by the ACG Committee and Corporate Assurance Group on the implications of the results of my review of the effectiveness of the system of internal control. A plan to address any weaknesses identified and to ensure continuous improvement is in place.

Following a Judicial Review ruling it was established that primarily due to the complexities of the legal framework for recovery of costs the arrangements for raising charges to the Train Operating Companies was inadequate and needed to be strengthened. A number of issues have been raised during the detailed process to verify the correct figures to be charged to PSA Holders following the Judicial Review. This indicated that there were significant errors in the amounts in the accounts charged to a number of PSA Holders from 1999-2000 to 2008-09. The note in the Introduction (p7-9) declares the scale of the errors/adjustments that were required as a result of this verification work. These have been resolved. A new governance and quality assurance framework has been put in place to ensure that the charges made are correct in future years which includes supervision by the Accounting Officer and the Authority.

Internal audit reports completed during the past year identified five areas of significant weakness which have been addressed, with all resulting actions substantively completed. All areas of weakness are routinely addressed through management action plans, which are monitored quarterly, with progress reported to the ACG Committee. They are reviewed through follow-up audits.

Within the last 12 months a number of changes to the internal control structure have been made, including:

- The transfer of risk management to the Director of Finance and Corporate Services' portfolio;
- The establishment of a Corporate Risk Team headed by a professional risk manager;
- The revision of the risk assessment methodology and definitions including the replacement of the subjective 3x3 risk assessment matrix with an objective 4x4 matrix;
- The introduction of a methodology for dealing with opportunities as well as threats;
- The reform of Corporate Assurance Group and Risk Committee meetings;
- The formation of a suppliers and tenderer's risk assurance group; and
- The drafting of a service level agreement between PSD, HR and F&CS to establish responsibilities for reporting and dealing with fraud.

Whilst significant progress has been made, further work is needed to ensure risk management is integrated into all aspects of business planning and to prevent a risk-averse attitude undermining the achievement of corporate objectives. Improvements to the further understanding of the risk management process throughout BTP and work to enhance involvement of the Chief Officer Group and Force Management Team are planned, along with efforts to ensure greater cohesion in risk management within BTP and BTPA. Work is ongoing to ensure BTP considers the risk management arrangements of its partners, to be satisfied that these are adequate and that they do not jeopardise the achievement of the Strategic Plan. Improvements will be made to Business Continuity Planning including better testing of plans. A review of the Purchase to Pay Policy will be undertaken and ongoing work relating to improvements in the budget and monitoring process in London Underground Area will be completed.

The BTPA's ACG Committee continues to provide an informed opinion on the effectiveness of the risk management process and whether reliance can be placed upon the BTP's internal control systems.

SIGNED

Andrew Trotter

Accounting Officer

Date 18 January 2010

SIGNED

Millie Banerjee

Chair BTPA

Date 18 January 2010

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the British Transport Police Fund for the year ended 31 March 2009 under the Railways and Transport Safety Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Introduction, 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 the Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 report to you whether, in my opinion, the information in the Introduction is consistent with the financial statements. 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.

In addition, I report to you if the British Transport Police Authority have 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the British Transport Police Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the British Transport Police Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Introduction and the unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. I consider the implication 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 opinions

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 Authority and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the British Transport Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed by 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.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Railways and Transport Safety Act 2003 and the directions made thereunder by the Secretary of State, of the state of the British Transport Police Authority's affairs as at 31 March 2009 and of its deficit, recognised gains and losses and cashflows 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
- Information, which comprises the Introduction is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

28 January 2010

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

Income and Expenditure Account

for the year ending 31 March 2009

		31 March 2009	Restated 31 March 2008
	Note	£000	£000
Income			
Trading income	5	254,220	234,709
Government grants	5	772	996
		<u>254,992</u>	<u>235,705</u>
Operating expenditure	4	(271,311)	(248,038)
Operating Deficit		(16,319)	(12,333)
Profit/(Loss) on disposal of fixed assets		(1,524)	155
Notional cost of capital credit	6	7,292	2,414
Deficit on ordinary activities before interest		<u>(10,551)</u>	<u>(9,764)</u>
Net Interest Payable/Receivable	15	3	(11)
Net Interest Receivable for pension schemes	29	200	15,000
Net Operating Surplus/(Deficit)			
Reversal of notional cost of capital credit	6	(10,348) (7,292)	5,225 (2,414)
Net Surplus/(Deficit) for the financial year		<u>(17,640)</u>	<u>2,811</u>

The surplus/(deficit) for the financial year is transferred to reserves. Movements in reserves are set out in Note 19.

The net deficit of £17.64m in 2008-09 includes a debit of £13.50m relating to FRS17 pensions accounting (see notes 19 and 29) and a debit of £3.93m related to the PSA Charges Reserve. The operating deficit is £0.21m. In 2007-08 the surplus of £2.81m includes a credit of £4.40m relating to FRS17 pensions accounting and a debit of £4.39m relating to the PSA Charges Reserve.

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

It has been confirmed by HM Treasury that the charge or credit to the Income and Expenditure Account arising from FRS17 should be excluded from the calculation of the amount to be reclaimed from parties with Police Service Agreements with BTPA.

Accounting policies and notes forming part of these accounts are on pages 37 to 58.

Statement of Total Recognised Gains and Losses

for the year ending 31 March 2009

	31 March 2009	Restated 31 March 2008
Note	£000	£000
Surplus/(Deficit) for the financial year	(17,640)	2,811
Net Gain on revaluation of fixed assets	19 1,453	1,011
Actuarial Loss relating to the pension scheme	29 (88,770)	(164,040)
Total gains and losses recognised since the last annual report	<u>(104,957)</u>	<u>(160,218)</u>

Accounting policies and notes forming part of these accounts are on pages 37 to 58.

Balance Sheet as at 31 March 2009

	Note	£000	31 March 2009 £000	£000	Restated 31 March 2008 £000
Fixed Assets					
Intangible assets	7	3,596		1,943	
Tangible assets	8	35,613		31,157	
			39,209		33,100
Debtors: amounts falling due after more than one year	10		1,800		3,500
Current Assets					
Stock	9	310		0	
Debtors: amounts falling due within one year	11	54,376		25,512	
Cash at bank and in hand	12	15,037		25,303	
		69,723		50,815	
Liabilities					
Creditors: amounts falling due within one year	13	(69,947)		(54,328)	
Net Current Assets			(224)		(3,513)
Total assets less current liabilities			40,785		33,087
Creditors: amounts falling due after more than one year	14	(1,800)		(3,500)	
Provisions for liabilities and charges	16	(930)		(2,038)	
Net assets excluding pension liability			38,055		27,549
Pension Liability	29		(292,110)		(189,840)
Net assets including pension liability			(254,055)		(162,291)
Financed by:					
General Reserve	19		31,000		23,427
Revaluation Reserve	19		1,962		1,028
Other Reserves	19		(287,017)		(186,746)
			(254,055)		(162,291)

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Chair BTPA

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Accounting policies and notes forming part of these accounts are on pages 37 to 58.

Cash flow Statement

for the year ending 31 March 2009

	Note	<u>£000</u>	<u>31 March 2009</u> £000	<u>£000</u>	<u>Restated 31 March 2008</u> £000
Net cash flow from operating activities	20		(11,454)		13,396
Return on investments and servicing of finance					
Interest paid	15	3		(8)	
Finance lease interest	15	<u>0</u>		<u>(3)</u>	
			3		(11)
Capital expenditure					
Payments to acquire tangible fixed assets	8	(10,800)		(8,662)	
Payments to acquire intangible fixed assets	7	(2,019)		(485)	
Sale of tangible fixed assets		<u>96</u>		<u>251</u>	
			(12,723)		(8,896)
Financing:					
Capital element of finance leases		0		(111)	
TOC Disputes		0		0	
Prior year invoices		137		(13)	
Recovery of written off bad debt		0		0	
Grants Received	19	<u>13,771</u>		<u>9,794</u>	
			13,908		9,670
Increase/(Decrease) in cash for the period			<u>(10,266)</u>		<u>14,159</u>

Accounting policies and notes forming part of these accounts are on pages 37 to 58.

Notes to the Accounts

1. Statement of Accounting Policies

The 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) 2008-09 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; and
- 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 2008-09 Government Financial Reporting Manual.

1.1 Intangible Assets

Purchased computer software and 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 includes vehicles and buildings under construction. These assets have been purchased but require essential modification before they are safe and fit for purpose. The vehicle cost includes both the original vehicle cost plus the cost of modification. Buildings under construction include refurbishment costs for buildings held on operating leases that BTPA has not yet occupied.

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.

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

- Leasehold Improvements – 25 years
- Plant and machinery – 5 years
- Fixtures and fittings – 5 years
- Information technology – 5 years
- Road vehicles – between 3 and 10 years

No depreciation is provided on capital work in progress.

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 of any surplus or deficit is taken to the income and expenditure account.

1.6 Income

Income, gross of value added tax, is accounted for by applying the accruals convention, and is recognised in the period in which the services 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 1 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 set up by the Railway Pension Scheme Order (1994) for other staff.

After 1 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.

From 1 April 2007 the BTPFSF established a new category where all new joiners were enrolled. The existing category was closed to all new members at this time.

All 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 1.5:1 between employer and member respectively for the old BTPFSF scheme, 2:1 for the new BTPFSF scheme, or in the ratio of 1.57:1 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 currently holds no finance leases.

1.10 Grants

Capital grant in aid, revenue grants and revenue grant in aid received are treated as financing and credited to the general reserve, because they are regarded as contributions from a controlling party in line with the requirements of the FReM.

Capital grants used to acquire specific capital items are credited to a government grant reserve. Income is released into the Income and Expenditure Account in line with the depreciation charged on the asset. Further details are shown in Note 19.

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.

All provisions are subject to a threshold of £50,000.

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. There is an exception in the case of business charges where VAT is charged and partially recovered in accordance with an agreed formula with HM Revenue and Customs.

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 for in the period in which it is due.

1.14 Stock

Stock is made up entirely of uniforms. The uniforms are stated at the lower of cost or net realisable value.

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 and travel, professional indemnity, Directors' and officers' liability, fidelity guarantee and natural damages and business interruption. The cost of repairs and 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.

1.17 Change in Chart of Accounts

As of 21 July 2008 BTPA implemented a new chart of accounts. This has resulted in the restatement between expenditure headings, but no overall change in total expenditure.

1.18 Financial Instruments

Financial assets and liabilities are recognised on the Authority's balance sheet when the Authority becomes party to the contractual provisions of the instrument. Further details are shown in Note 25.

1.19 Operating Leases

Both the 'Rental under Operating Leases' and the 'Commitment under Operating leases' for the comparative year have been restated.

The 'Rental under Operating Leases' has been restated as the figure provided in the comparative did not represent the actual rental charge for the year.

The 'Commitment under Operating Leases' has been restated as the comparative year's figure excluded VAT in its calculation.

1.20 Provision for Bad and Doubtful Debts relating to PSA Charges

Where amounts are outstanding in respect of PSA charges – either as a result of the Judicial Review or otherwise – the likelihood of recovery actions being eventually successful will be reviewed in each case, giving due weight to the strategic objective of stabilising and removing uncertainty from the Authority's affairs as soon as practicable and taking account of the nature of the debt, the payment record of the debtor, whether they have been or are in dispute with the Authority and any other appropriate information.

1.21 Note on Change in Accounting Policy relating to London Underground

There has been a change in accounting policy resulting in the inclusion in BTPA's accounts of employee costs relating to London Underground Area. This has resulted in an increase in expenditure of £43.6m (2007-08 £40.5m) and a corresponding increase in income. Further details concerning London Underground Area are included in Note 27.

1.22 Effect of Judicial Review

Due to the impact of the Judicial Review a number of figures have been restated in respect of 2007-08 and this is noted where appropriate.

2. Segmental Analysis

No segmental analysis is provided because BTP operates one class of business, that of policing the railways throughout England, Wales and Scotland, and undertakes that class of business in one geographical segment, Great Britain.

3. Staff Numbers and Related Costs**A) Total staff costs consist of:**

	31 March 2009	Permanently Employed Staff	Temporary Employed Staff	(Restated) 31 March 2008
	Total	Total	Total	Total
	£000	£000	£000	£000
Salaries and Wages	165,866	161,335	4,531	153,392
Social Security Costs	13,297	13,297	0	12,744
Other Pension Costs	34,434	34,434	0	30,385
Sub-total	213,597	209,066	4,531	196,521
Less recoveries in respect of outward secondments	(946)	(946)	0	(929)
Total staff costs	212,651	208,120	4,531	195,592

The staff numbers and related costs include those relating to staff employed by BTPA at London Underground.

Between 1 April 2008 and 31 March 2009, contributions of £20.5 million 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 14.6% for the Railways Pension Scheme and 24% for the BTPFSF .

Fifteen employees retired early on ill-health grounds (3 persons for the year ended 31 March 2008). The total additional accrued pension liabilities in the year amounted to £3,731 (£4,261 for the year ended 31 March 2008).

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

	Police Officers	Police Community Service Officers	Police Staff	Period ending 31 March 2009 Total	(Restated) Period ending 31 March 2008 Total
	2,881	283	1,256	4,420	4,203

The employee costs and the employee numbers include Police Officers and staff who work on London Underground. This has resulted in a restated comparative for the year ending 31 March 2008. This is a change from previous practice as the cost of LU area officers and staff were shown as part of LUL Ltd.

C) The average number of temporary persons employed during the period was as follows.

	Police Officers	Police Community Service Officers	Police Staff	Period ending 31 March 2009 Total	Period ending 31 March 2008 Total
	0	0	80	80	81

4. Operating Expenses

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

		31 March 2009	(Restated) 31 March 2008
	Note	£000	£000
Staff costs	3	213,597	196,521
Supplies and services: other staff costs, including expenses paid to staff		6,479	4,908
Supplies and services: communications and computers		10,578	8,755
Supplies and services: other		13,540	13,902
Premises		14,317	13,017
Depreciation		7,104	6,708
Transport costs		5,696	4,227
Total		271,311	248,038

Included in Supplies and Services: other is a charge of £140,000 for auditors' remuneration for the 2008-09 audit and £10,000 for audit of IFRS restatement.

5. 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 2009	(Restated) 31 March 2008
		£000	£000
Police Service Agreements income		188,041	179,577
Other income		66,179	55,132
Release from government grant reserve		772	996
Total		254,992	235,705

6. Cost of Capital

		31 March 2009	31 March 2008
		£000	£000
Cost of Capital		7,292	2,414

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.

7. Intangible Fixed Assets

Intangible assets comprise software and software licences.

	Purchased Software Licences	Purchased Software	Total
	£000	£000	£000
Cost			
At 1 April 2008	1,943	941	2,884
Additions	1,318	1,091	2,409
Transfer	0	0	0
Write-off	0	0	0
Disposals	(16)	0	(16)
At 31 March 2009	3,245	2,032	5,277
Depreciation			
At 1 April 2008	889	52	941
Charge for the Period	450	295	745
Transfer	0	0	0
Write-off	0	0	0
Disposals	(5)	0	(5)
At 31 March 2009	1,334	347	1,681
NBV at 31 March 2009	1,911	1,685	3,596
NBV at 31 March 2008	1,054	889	1,943
Asset Financing:			
Owned	1,911	1,685	3,596
NBV at 31 March 2009	1,911	1,685	3,596

8. Tangible Fixed Assets

	Leasehold Improvements	Plant and Machinery	Vehicles	Assets under Const- ruction – Motor Vehicles	Assets under Con- struction – Leasehold Improvements	Fixtures & Fittings	IT Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 April 2008	15,926	10,737	8,440	1,029	709	1,434	19,811	58,086
Additions	3,342	1,467	1,366	942	1,406	418	2,767	11,708
Transfer	0	0	0	0	0	0	0	0
Write-off	(26)	0	104	0	0	0	0	78
Disposals	(1,475)	(578)	(1,098)	0	0	(27)	(525)	(3,703)
Indexation	779	445	111	0	0	81	(872)	544
At 31 March 2009	18,546	12,071	8,923	1,971	2,115	1,906	21,181	66,713
Depreciation								
At 1 April 2008	3,446	6,582	3,962	0	0	635	12,304	26,929
Charge for the Period	647	1,340	1,415	0	0	270	2,687	6,359
Transfer	0	0	0	0	0	0	0	0
Write-off	0	0	21	0	0	0	0	21
Disposals	(226)	(444)	(950)	0	0	(15)	(459)	(2,094)
Indexation	107	294	69	0	0	50	(635)	(115)
At 31 March 2009	3,974	7,772	4,517	0	0	940	13,897	31,100
NBV at 31 March 2009	14,572	4,299	4,406	1,971	2,115	966	7,284	35,613
NBV at 31 March 2008	12,480	4,155	4,478	1,029	709	799	7,507	31,157
Asset Financing:								
Owned	14,572	4,299	4,406	1,971	2,115	966	7,284	35,613
NBV at 31 March 2009	14,572	4,299	4,406	1,971	2,115	966	7,284	35,613

9. Stock

	31 March 2009	31 March 2008
	£000	£000
Opening Balance	0	0
Additions	310	0
Utilisations	0	0
Returns	0	0
Write-offs	0	0
Closing Balance	310	0

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

	31 March 2009	31 March 2008
	£000	£000
PSA Debtor*	1,800	3,500
	1,800	3,500

*Reclaim of £10 million deferred PSA charges for 2005-06 from the Train Operating Companies, repayable over four years starting in 2007-08.

11. Debtors falling due within one year

	31 March 2009	Restated 31 March 2008
	£000	£000
Trade Debtors	58,253	30,883
PSA debtor*	1,700	1,500
VAT Debtor	0	0
Other Debtors	438	450
Prepayments and accrued income	4,996	3,691
Less: Provision for Doubtful Debts	(229)	(230)
Provision for Bad and Doubtful Debts arising from the Judicial Review	(10,782)	(10,782)
Total	54,376	25,512

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

	£000	£000
Other central government bodies	1,878	1,492
Local authorities	86	405
Intra-government debtors	1,964	1,897
Bodies external to government	52,412	23,615
	54,376	25,512

The Debtors reflect the results of the Judicial Review

12. Cash at Bank and in hand

	31 March 2009	31 March 2008
	£000	£000
Cash at bank and in hand	15,037	25,303
	15,037	25,303

13. Creditors: Amounts falling due within one year

	31 March 2009	31 March 2008
	£000	£000
Department for Transport Loan	1,700	1,500
Trade Creditors	43,763	30,009
VAT Creditor	384	508
Other Taxation & Social Security	4,047	4,216
London Underground Ltd	0	1,272
Other Creditors	3,491	2,748
Accruals & Deferred Income	16,562	14,075
Total	69,947	54,328

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

	£000	£000
Other central government bodies	6,643	6,315
Local authorities	549	4
Public corporations and trading funds	0	1,273
Intra-government creditors	7,192	7,592
Bodies external to government	62,755	46,736
	69,947	54,328

The creditors reflect the results of the Judicial Review

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

	31 March 2009	31 March 2008
	£000	£000
Department for Transport Loan	1,800	3,500
	1,800	3,500

15. Net Interest

	31 March 2009	31 March 2008
	£000	£000
Interest receivable on:		
Short term deposits	3	0
	3	0
Interest payable on:		
Bank loans and overdraft	0	(8)
Leases	0	(3)
Net interest receivable/(payable)	3	(11)

BTPA does not earn interest on monies on deposit because funds are held in the government's accounts with the Office of the Paymaster General.

16. Provisions for liabilities and charges

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; and
- (iv) subject to a case threshold of £50,000 (from 31 March 2009) – excluding motor vehicle claims.

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

	Claims against the Authority	Employment Tribunals	Dilapidations	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2008	503	685	850	2,038
Provided in year	284	396	0	680
Provisions not required written back	(382)	(331)	(600)	(1,313)
Provisions utilised during the year	(121)	(354)	0	(475)
Balance as at 31 March 2009	284	396	250	930

Claims against the Authority

This provision applies to claims made by employees of the Authority / Force, members of the public and third parties (for incidents arising from motor vehicle accidents), which are allegedly caused by the Authority's/Force's negligence and result in physical or mental injury, loss, damage or death. The provision is created based on information provided on a regular basis by professional in-house staff, claims advisers and solicitors and is the estimated cost of settlement including legal costs. This provision also applies to loss of or damage to property and equipment belonging to or occupied by the Authority, or for which they are responsible.

Employment Tribunals

This 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.

Dilapidations

This provision applies to dilapidations of leasehold properties.

17. Contingent Liabilities

Provision has been made in respect of bad and doubtful debts relating to PSA charges arising from verification work done to confirm charges prior to 31 March 2007. However, there are charges that have changed as a direct result of the Judicial Review for 2007-08 and 2008-09. These charges are considered enforceable as a result of the Judgement and thus no provision has been made in respect of these. There is a possibility that some of these charges may not be paid but as yet it is not possible to quantify the scale.

18. Provision for Bad and Doubtful Debts

The 2008-09 Accounts reflect the impact of the Judicial Review based on the information available when the accounts were presented to the Authority

The provision for bad and doubtful debts reflects the Authority's judgement on what may not be recovered in outstanding PSA charges following the Judicial Review.

19. Reserves

	General Contingency Reserve	Grant Reserve	Revaluation Reserve	Pension Reserve	Total Reserve	
	£000	£000	£000	£000	£000	
Opening balance (restated)	23,427	1,400	1,694	1,028	(189,840)	(162,291)
Retained deficit for the period	(17,640)	0	0	0	0	(17,640)
Cash Received from Debtor/ Creditor previously written off	194	0	0	0	0	194
Transfer to/(from)	14,019	0	0	(519)	(13,500)	0
Indexation	0	0	0	1,453	0	1,453
Revenue Grant Received	0	0	0	0	0	0
Capital Grant in Aid Received	11,000	0	2,771	0	0	13,771
Pension movement	0	0	0	0	(88,770)	(88,770)
Amortisation	0	0	(772)	0	0	(772)
Closing balance	<u>31,000</u>	<u>1,400</u>	<u>3,693</u>	<u>1,962</u>	<u>(292,110)</u>	<u>(254,055)</u>

General Reserve

This comprises the Distributable Reserve, the Capital Financing Reserve, the PSA Charges Reserve and the Working Capital Reserve.

	Distributable Reserve	Capital Financing Reserve	Working Capital Reserve	PSA Charges Reserve	Total
	£000	£000	£000	£000	£000
Opening balance (restated)	(9,001)	35,405	6,500	(9,477)	23,427
Retained profit/(loss) for the period	(17,640)	0	0	0	(17,640)
Cash Received from Debtor/ Creditor previously written off	194	0	0	0	194
Transfer to/(from)	17,952	0	0	(3,933)	14,019
Indexation	0	0	0	0	0
Revenue Grant Received	0	0	0	0	0
Capital Grant in Aid Received	0	11,000	0	0	11,000
Pension movement	0	0	0	0	0
Amortisation	0	0	0	0	0
Closing balance	<u>(8,495)</u>	<u>46,405</u>	<u>6,500</u>	<u>(13,410)</u>	<u>31,000</u>

The Distributable Reserve represents BTPA's cumulative past operating surpluses/deficits. The Capital Financing Reserve represents the government grants received for the general acquisition of capital goods. Consideration is being given by the Authority during 2009-10 as to the most appropriate use of the reserve. The Working Capital Reserve represents Grant in Aid from the Department for Transport to ensure the liquidity of BTPA. The PSA Charges Reserve represents the effect of the Judicial Review on the amounts that can be charged to PSA holders because the two charging models do not recover the full operating costs.

Contingency Reserve

With the agreement of HM Treasury and the Department for Transport this reserve has been created to provide for unexpected events, such as major incidents and crimes, and to reduce the impact of these events on a single years' budget. The reserve is not expected to exceed £3 million, with the ceiling being increased by the Retail Price Index each year.

Grant Reserve

This reserve is credited with capital cash grants used to fund fixed assets and is then released to the Income and Expenditure Account to match depreciation on these grant funded assets.

Revaluation Reserve

This reflects the changes in value arising from indexation under the modified historic cost convention. The movement represents upward indexation and downward indexation to the extent that there is a credit balance on the Revaluation Reserve for the asset in question. The accounting treatment of this reserve is being reviewed as part of the 2009-10 Accounts

Pension Reserve

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

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

	31 March 2009	Restated 31 March 2008
	£000	£000
Operating deficit	(16,319)	(12,333)
Depreciation charges	7,104	6,708
Release of government grant reserve	(772)	(996)
Write off for MHCA	793	416
(Increase)/decrease debtors	(27,164)	(17,089)
Increase/(decrease) creditors	13,919	24,840
Increase/(decrease) provisions	(1,108)	547
(Increase)/decrease in stock	(310)	0
Pension charges	13,700	10,600
(Increase)/decrease in tangible asset accruals – non cash additions	(907)	852
(Increase)/decrease in intangible asset accruals – non cash additions	(390)	(149)
Net cash inflow from operating activities	<u>(11,454)</u>	<u>13,396</u>

B) Analysis of changes in net funds

	At 1 April 2008	Cash flow	Non-cash movements	At 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	25,303	(10,266)	0	15,037
Finance leases	0	0	0	0
Total	<u>25,303</u>	<u>(10,266)</u>	<u>0</u>	<u>15,037</u>

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

	31 March 2008
	£000
Increase in cash in the period	(10,266)
Cash outflow from decrease in debt and leasing financing	0
Movement in net debt in the period	(10,266)
Net debt at 1 April 2008	25,303
Net debt at 31 March 2009	<u>15,037</u>

21. Capital Commitments

As at the balance sheet date there were 5 capital commitments totalling £1,009,964 (£143,000 in 2007-08) relating to work yet to be started on properties at Blundell Street, Baches Street, Callaghan Square Cardiff, 7th Floor The Axis Birmingham, and Basement Custody in Liverpool.

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

	31 March 2009	31 March 2008
	£000	£000
Land and buildings	6,240	6,297
Plant and machinery	150	139
Total	6,390	6,436

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 2009	31 March 2008
	£000	£000
Operating leases which expire:		
Within one year	352	117
Between two to five years	834	859
Over five years	5,043	5,215
Total	6,229	6,191

23. Losses and Special Payments

Total losses were below £250,000.

24. Related Party Transactions

The Department for Transport as the Authority's sponsor is a related party, as is Network Rail and LU Ltd with whom the Authority has a Police Service Agreement. Network Rail paid BTPA £65,550,000 and as at 31 March 2009 £5,463,000 is outstanding. LU Ltd paid BTPA £52,455,000 in 2008-09 and owed £1,738,000 as at 31 March 2009.

Due to its status as a national police force BTPA has received grants from the Home Office, and so it 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.

25. Financial Instruments

Because of the largely non-trading nature of its activities and the way in which BTPA is financed, the Authority is not exposed to the degree of financial risk faced by business entities. 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 its activities.

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 2009.

	Book Value	Fair Value
	£000	£000
Primary Financial Instruments:		
Financial Assets:		
Cash at Bank	15,037	15,037
Financial Liabilities:		
Provisions	930	930

26. Post Balance Sheet Events

Since the date of the Balance Sheet, two of the Train Operating Companies have sought leave to challenge the findings of the Judicial Review but this is unlikely to be resolved for some time. In addition, another Train Operating Company has raised a dispute under the arbitration procedure but this was held in abeyance pending the results of the Judicial Review. It was reactivated in December 2009.

The immediate results of the Judicial Review into the Charging Methodology have been reflected in the Accounts. However it is likely that there may be further developments as sums become irrecoverable for which provision has been made for those amounts potentially irrecoverable or further litigation/disputes are resolved. The Department for Transport has undertaken to provide support by way of grant in respect of any irrecoverable amounts because the existing charging models do not recover the totality of BTPA's budget requirement and loans to assist in any cashflow difficulties until the issue can be resolved. The loan agreement was approved by the Authority and signed by the Department for Transport in November 2009.

27. 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 BTP) 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 predecessor organisations, 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 BTPA 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. 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 2008-09 staff costs relating to LUL were £43.6 million (£40.5 million for the year ended 31 March 2008). The average number of police officers and police staff employed on London Underground during 2008-09 was 927 (892 for the year ended 31 March 2008). These figures have been restated in the Accounts, for 2007-08.

28. Third Party Assets

The Authority administers funds on behalf of third parties. Money held by the funds is not owned by the Authority and is not included in the Balance Sheet. Authority staff administer the British Transport Police Authority Property Act Fund Account and the British Transport Police Cash Seizures Account on behalf of the Authority and the remaining funds on behalf of their respective governing bodies. Details of these two accounts are below:

British Transport Police Authority Property Act Fund Account

Regulations under the Police (Property) Act 1897 and its subsequent amending legislation permit police to retain the proceeds from the disposal of property that comes into police possession in connection with a criminal charge (or suspicion of a criminal offence being committed) where the owner has not been ascertained or no court order has been made. The legislation stipulates that the income is to be used to meet the cost of the storage and the sale of property with any residual funds being used for charitable purposes in accordance with directions of the Force's Police Authority. The British Transport Police Authority Property Act Fund Account is used for this purpose.

The year end position of this account is as follows:

	<u>31 March 2009</u>	<u>31 March 2008</u>
	<u>£000</u>	<u>£000</u>
Opening Balance	98	73
Seizures Deposited	3	34
Monies paid Out	(24)	(12)
Interest Earned	1	3
Bank Charges Paid	(0)	(0)
Closing Balance	<u>78</u>	<u>98</u>

There were also uncleared cheques to the value of £300 at 31 March 2009. There were no known outstanding lodgements.

British Transport Police Cash Seizures Account

In accordance with the Proceeds of Crime Act 2002 BTPA Police Officers have the power to seize cash from suspects and hold the money until court proceedings have completed. The cash, with interest, is then either paid back to the defendant or paid over to the Home Office or other relevant authorities. As the cash is not the property of BTP it does not form part of the Force's normal banking arrangements with the Paymaster General. As a result BTPA has set up a separate interest earning account with Barclays Bank Plc to manage cash seizures.

The year-end position of this account is as follows:

	31 March 2009	31 March 2008
	£000	£000
Opening Balance	676	260
Seizures Deposited	499	682
Monies paid out	(337)	(277)
Interest Earned	15	14
Bank Charges Paid	(2)	(3)
Closing Balance	851	676

There were also uncleared cheques to the value of £9,515 at 31 March 2009. There were no known outstanding lodgements.

Also, as part of ongoing investigations BTPA, on occasion, holds sealed bags of seized cash. Monies are held in a safe, but the amounts involved are not always known.

29. 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 the Authority has to meet these future payments is recognised in the accounts.

The pension costs associated with staff employed by the Authority during the year is £36.2 million. This cost is partially offset by employer contributions of £22.5 million and a net return on the pension fund of £0.2 million, leaving a net debit of pensions for the year of £13.5 million. The total pension liabilities for all staff, past and present, are shown in the Balance Sheet. This amounts to £292.11 million. HM Treasury has confirmed that the charge or credit to the Income and Expenditure Account arising from FRS17 should be excluded from the calculation of the amount to be reclaimed from parties with Police Service Agreements with BTPA.

The fund participates in two pension schemes both of which 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 Railways Pension Scheme for other staff. Both schemes cover present and past employees, and aim to be fully funded.

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).

From 1 April 2007 the BTPFSF established a new category where all new joiners will be enrolled. The existing category was closed to all new members at this time. The new category is a defined benefit scheme, where employees pay contributions of 10% of pensionable salary and the employer pays 20% per annum. Retirement benefits are calculated based on an accrual rate of 1/70th of final average salary for pension, plus 4/70ths for the tax free cash lump sum.

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 pay for each year of service. In addition, a lump sum equivalent to one thirtieth of final average salary for 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 24.0%. In addition the employer paid a deficit payment of 1.7% of the benefit outgoings for the 1970 contributory section of the BTPFSF for 3 years until April 2008.

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 31 December 2006 by Watson Wyatt. The results were finalised February 2008: it is not anticipated that contributions will need to change. The Authority uses Mercer Limited to provide the FRS17 valuation.

A. The employer's pension contributions for the previous four years were:

2005-06 19.3% of salaries.
2006-07 19.3% of salaries.
2007-08 13.8% of salaries
2008-09 13.9% of salaries

B. The major assumptions used by the actuary were:-

	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	%	%	%	%
Inflation assumption	3.3	3.5	3.1	3.0
Rate of increase in salaries	4.8	5.0	4.6	4.5
Rate of increase for pensions in payment and deferred pensions	3.3	3.5	3.1	3.0
Discount rate	6.8	5.9	5.4	5.0

The inflation rate is based on market expectations of long term RPI inflation from the relative yields of long dated and fixed interest Government bonds. Future salary increases are based on data that has shown that salary increases tend to exceed RPI inflation by approximately 2% per annum. This is also used for the rate of increase in pensions in payment and deferred pensions. The Discount Rate is based on the market yield at the valuation date of high quality corporate bonds.

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

	Long-term rate of return expected at 31 March 2009	Value at 31 March 2009	Long-term rate of return expected at 31 March 2008	Value at 31 March 2008	Long-term rate of return expected at 31 March 2007	Value at 31 March 2007	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006
	%	£000	%	£000	%	£000	%	£000
Equities	7.20	379,728	7.80	626,300	7.90	646,100	7.50	603,800
Bonds	5.40	77,604	5.25	98,900	5.05	105,200	4.60	91,000
Property	6.30	57,464	6.50	56,400	6.50	58,300	6.05	51,100
Other	0.50	62,202	5.00	29,800	5.25	41,400	4.50	21,300
Allowance for Government Support Payments	6.80	15,402	5.90	18,400	5.40	18,600	4.95	23,900
Total market value of assets		592,400		829,800		869,600		791,100
Present value of scheme liabilities		(862,900)		(999,000)		(898,100)		(897,200)
Pension scheme deficit		(270,500)		(169,200)		(28,500)		(106,100)
Net pension liabilities		(270,500)		(169,200)		(28,500)		(106,100)

D Analysis of the amount charged to operations

	31 March 2009	31 March 2008
	£000	£000
Current service cost	29,600	27,000
Past service cost	0	0
Total operating charge	29,600	27,000

E Analysis of the amount credited to other finance income

	31 March 2009	31 March 2008
	£000	£000
Expected return on pension scheme assets	(60,000)	(63,100)
Interest on pension scheme liabilities	59,100	48,700
Net credit to other income	(900)	(14,400)

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

	31 March 2009	31 March 2008
	£000	£000
Actual return less expected return on pension scheme assets	(293,400)	(101,100)
Experience gains and losses arising on the scheme liabilities	201,400	(35,800)
Changes in assumptions underlying the present value of the scheme liabilities	0	(10,100)
Actuarial loss recognised in the STRGL	(92,000)	(147,000)

G Changes in the fair value of scheme assets are as follows:

	31 March 2009	31 March 2008
	£000	£000
Fair value of plan assets at beginning of year	829,800	869,600
Movement in year:		
Expected return on plan assets	60,000	63,100
Actuarial losses	(293,400)	(101,100)
Employer contribution	17,400	16,900
Member contributions	11,300	10,900
Government support payments	2,000	2,000
Benefits paid (including expenses)	(34,700)	(31,600)
Fair value of plan assets at end of year	592,400	829,800

The expected return on asset assumptions are based on market expectations at the beginning of the financial period for returns over the life of the related obligation.

H Movement in shortfall during the year:

	31 March 2009	31 March 2008
	£000	£000
Shortfall in scheme at the beginning of the year	(169,200)	(28,500)
Movement in year:		
Current service costs	(29,600)	(27,000)
Employer contributions	19,400	18,900
Past service costs	0	0
Other finance income	900	14,400
Actuarial loss	(92,000)	(147,000)
Shortfall in scheme at the end of the year	<u>(270,500)</u>	<u>(169,200)</u>

The actuarial update as at 31 March 2009 showed an increase in the shortfall from £169,200,000 to £270,500,000.

I History of experience gains and losses

	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	%	%	%	%
Difference between the expected and actual return on scheme assets:	(293,400)	(101,100)	20,300	110,600
Percentage of scheme assets	-50%	-12%	2%	14%
Experience gains and losses on scheme liabilities:	(200)	(35,800)	17,800	7,900
Percentage of the present value of the scheme liabilities	0%	-4%	2%	1%
Total amount recognised in statement of total recognised gains and losses:	<u>(92,000)</u>	<u>(147,000)</u>	<u>78,600</u>	<u>25,900</u>
Percentage of the present value of the scheme liabilities	<u>-11%</u>	<u>-15%</u>	<u>9%</u>	<u>3%</u>

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 of a defined benefit "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 for every year of total membership is payable on retirement.

Members pay contributions of 9.2% of pensionable earnings. The employer contribution is 14.46%.

The service cost has been calculated as the total cost (including BRASS contributions which are also included in the current 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 section's assets and will only become payable by the employer in the 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. The Authority uses Mercer Limited to provide all the FRS17 valuation.

The recent independent actuarial valuation was carried out as at 31 December 2007, and reviewed during the autumn of 2008 and was formally signed on 31 March 2009. As a result of this review from 01 July 2009 the rates were 10.06% for member's contributions and 15.09% plus BRASS matching for employer's contributions.

A The employer's pension contributions for the two years from 2005-06 are nil, as the employer had a contribution holiday until 31 March 2007.

2007-08 3.3% of salaries

2008-09 3.7% of salaries

B The major assumptions used by the actuary were:-

	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	%	%	%	%
Inflation assumption	3.3	3.5	3.1	3.0
Rate of increase in salaries	4.8	5.0	4.6	4.5
Rate of increase for pensions in payment and deferred pensions	3.3	3.5	3.1	3.0
Discount rate	6.8	5.9	5.4	5.0

The inflation rate is based on market expectations of long term RPI inflation from relative the yields of long dated and fixed interest Government bonds. Future salary increases are based on data that has shown that salary increases tend to exceed RPI inflation by approximately 2% per annum. This is also used for the rate of increase in pensions in payment and deferred pensions. The Discount Rate is based on the market yield at the valuation date of high quality corporate bonds.

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

	%	£000	%	£000	%	£000	%	£000
	Long-term rate of return expected at 31 March 2009	Value at 31 March 2009	Long-term rate of return expected at 31 March 2008	Value at 31 March 2008	Long-term rate of return expected at 31 March 2007	Value at 31 March 2007	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006
	%	£000	%	£000	%	£000	%	£000
Equities	7.20	23,648	7.80	29,240	7.90	26,930	7.50	25,710
Bonds	5.40	1,632	5.25	2,140	4.90	2,540	4.60	3,150
Property	6.30	2,848	6.50	3,680	6.40	3,670	6.05	1,800
Other	0.50	3,872	5.00	4,400	5.25	4,320	4.50	1,770
Total market value of assets		32,000		39,460		37,460		32,430
Present value of scheme liabilities		(53,600)		(60,100)		(39,160)		(35,680)
Pension scheme deficit		(21,600)		(20,640)		(1,700)		(3,250)
Net pension liabilities		(21,600)		(20,640)		(1,700)		(3,250)

D Analysis of the amount charged to operations

	31 March 2009	31 March 2008
	£000	£000
Current service cost	6,600	5,100
Past service cost	0	0
Total operating charge	6,600	5,100

E Analysis of the amount credited to other finance income

	31 March 2009	31 March 2008
	£000	£000
Expected return on pension scheme assets	(3,000)	(2,900)
Interest on pension scheme liabilities	3,700	2,300
Net return	<u>700</u>	<u>(600)</u>

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

	31 March 2009	31 March 2008
	£000	£000
Actual return less expected return on pension scheme assets	(14,470)	(4,400)
Experience gains and losses arising on the scheme liabilities	17,700	(8,570)
Changes in assumptions underlying the present value of the scheme liabilities	0	(4,070)
Actuarial loss recognised in the STRGL	<u>3,230</u>	<u>(17,040)</u>

G Changes in the fair value of scheme assets are as follows:

	31 March 2009	31 March 2008
	£000	£000
Fair value of plan assets at beginning of year	39,460	37,460
Movement in year:		
Expected return on plan assets	3,000	2,900
Actuarial losses	(14,470)	(4,400)
Employer contribution	3,000	2,500
Member contributions	100	100
Government support payments	2,000	1,700
Benefits paid (including expenses)	(1,090)	(800)
Fair value of plan assets at end of year	<u>32,000</u>	<u>39,460</u>

The expected return on asset assumptions are based on market expectations at the beginning of the financial period for returns over the life of the related obligations.

H Movement in shortfall during the year:

	31 March 2009	31 March 2008
	£000	£000
Shortfall in scheme in the beginning of the year	(20,640)	(1,700)
Movement in year:		
Current service costs	(6,600)	(5,100)
Employer contributions	3,100	2,600
Past service costs	0	0
Other finance income	(700)	600
Actuarial gain/(loss)	3,230	(17,040)
Shortfall in scheme at the end of the year	<u>(21,610)</u>	<u>(20,640)</u>

The actuarial update as at 31 March 2009 showed an increase in the shortfall from £20,640,000 to £21,610,000.

I History of experience gains and losses

	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets:	(14,470)	(4,400)	1,300	500
Percentage of scheme assets	-45%	-11%	3%	15%
Experience gains and losses on scheme liabilities:	800	(8,570)	630	560
Percentage of the present value of the scheme liabilities	1%	-14%	2%	0%
Total amount recognised in statement of total recognised gains and losses:	3,230	(17,040)	5,160	1,110
Percentage of the present value of the scheme liabilities	6%	-28%	13%	3%



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