

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

British Transport Police

Statement of Accounts for the year ended 31 March 2008

*Ordered by the House of Commons to be printed on
16 July 2008*

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Introduction

These audited financial statements are for the year ended 31 March 2008, and have been prepared using applicable accounting standards on an ongoing basis.

The accounts consist of:

Income and Expenditure Account

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

Statement of Total Recognised Gains and Losses

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

Balance Sheet

Summarises all of the assets and liabilities of the BTPA and presents the Authority's position as at 31 March 2008.

Cash Flow Statement

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

These accounts include a comparison with the accounts for 2006-07.

Accounting policies and explanatory notes form part of the accounts.

Statutory Background

On 1 July 2004 the BTPA was established as a Non Departmental Public Body (NDPB) with the Department for Transport (DfT) as the sponsoring body. On this date responsibility for the British Transport Police (BTP) transferred to the BTPA under Section 18 of the Railways and Transport Safety Act (2003). This is the fourth set of accounts BTP have produced as an NDPB which have been produced in accordance with the accounts direction issued by HM Treasury and also in accordance with Schedule 4, Part 3 17(b) of the Railways and Transport Safety Act (2003).

History of BTP

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

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

BTP as a single organisation was formed from a combination of several individual railway forces during nationalisation of the railways in 1947 and became part of British Rail. In 1992 BTP was reorganised into eight areas and in 1997 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, 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 part of the Department for Transport (DfT). BTP's vision is to provide policing excellence for Britain's railways. Policing excellence means being professional at all times and continually striving to provide the best possible service to the railway community and the travelling public.

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

This will be achieved by:

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

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

Operational Performance during 2007-08

In 2007-08, BTP achieved 94% (90 out of 96) of its operational targets. This is a tremendous result, especially so as last year saw a dramatic change in the way that targets were set, moving from 9 core targets to 96 national and local targets.

As well as this, recorded notifiable crime on the railways fell by 11.1% (79,191 to 70,368) and BTP's detection rate was up 2.4 percentage points (24.6% to 27.0%).

A summary of performance against national targets is below:

	Target	Outcome	Achieved
1	To conclude police activity which disrupts train movement within an average of 90 minutes from receiving a report of a fatal incident	76 mins	YES
2	Carry out CBR profiling to a defined target	Not published	YES
3	Ensure at least 8% of all officers are trained in the use of CBRN Mark 4/CR1 suits	11%	YES
4	Police Officers deployed on visible policing duties – target hours: 45,144	123,913 hours	YES
5	PCSOs deployed on visible policing duties – target hours: 50,616	68,675 hours	YES
6	Increase the number of offenders detected for cable related offences by at least 33%	90%	YES
7	Persistent Young Offenders average arrest to sentence time to be no more than 65 days	89	NO
8	Increase the number of football banning orders obtained to at least 42	53	YES

9	Apply for football banning orders in at least 90% of all football-related offences	99%	YES
10	Reduce the number of serious football-related offences by at least 5%	20%	YES
11	At least 80% overall victim satisfaction	80%	YES
12	At least 22% of all notifiable offenders brought to justice in England and Wales	26%	YES

NON-OPERATIONAL OBJECTIVES

13	The number of Black and Minority Ethnic (BME) officers to be at least 6.4% of total police officer strength	6.1%	NO
14	The number of female officers to be at least 17.5% of total police officer strength	16.1%	NO
15	At least 5.9% of police officers promoted to be from a BME background	5.5%	NO
16	At least 18% of police officers promoted to be female	27.4%	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 a risk management approach to bomb threats and suspect packages.
- 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 complimentary policing portfolio ensuring that the community has a strong developmental involvement in strategy, policy and practice. BTP has reviewed relationships with crime and disorder partnerships and has produced an Anti Social Behaviour Strategy. Neighbourhood Policing (NP) has been inspected by the HMIC and the draft report indicates a favourable overview of our performance so far.
- Events policing: With the opening of Wembley Stadium there has been a large increase in the number of events BTP police. Close liaison with the Metropolitan Police has resulted in the development of integrated policing plans to deliver a safe management approach to policing this iconic venue. Force Head Quarters has taken over responsibility for the planning of the top ten major events around the country and will be prioritising the policing of football issues. The Force's planning of events are co-ordinated 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 and increase the number of football banning orders obtained. 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 £127k funding to support our application for banning orders for football hooliganism on the railway.

Financial Performance in 2007-08

The BTPA budget increased significantly in 2007-08. The provision of £17 million (9.9%) in extra funds ensured that BTPA could achieve its strategic objectives, which included implementing the Case and Custody System and the Force Control Room Centre, and meet a range of unavoidable costs born out of inflation, depreciation charges and employer pension contributions.

Tight budgetary control was needed in 2007-08 to complete the improvement programme and provide resources to achieve all 96 of the Force's operational targets.

BTPA endorsed Sir Ronnie Flanagan's report "The Review of Policing in England and Wales" and as a result established the Frontlinefirst Programme. The programme focuses on delivery of additional frontline resources including Neighbourhood Policing Teams. BTPA has sought examples of best practice in efficiency management from Home Office police forces and Human Resources and Information Technology reviews have begun.

The result is a surplus of £6.4m. Of this, £4.4m 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 onto the 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 £2.0m (0.9% of funding).

Agreement has been reached to allow BTPA to establish a contingency reserve for unexpected events such as major incidents/crime and reduce the impact on a single year's budget.

Capital Expenditure for the year was fully funded by Grant in Aid from DfT and specific capital grants from other government bodies. This funding 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.

Pensions

BTPA has adopted FRS 17 (Retirement Benefits) in full. This has resulted in all the assets and liabilities for each defined benefit scheme run on BTP's behalf by Railways Pension Management Ltd being disclosed (see Note 28 to the accounts). The accounting policy for pensions is disclosed in Note 1.8 to the Accounts.

Results for Year ending 31 March 2008

This is the fourth 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 30 and the Statement of Recognised Gains and Losses on page 31. The Balance Sheet and Cash Flow Statement are shown on Pages 32 and 33 respectively.

Going Concern

The opening balance sheet as at 1 April 2007 shows net pension liabilities of £30.2m. 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 net liability of the scheme on 31 March 2008 was £189.9m, an increase of £159.7m in the year. The increase is due to an actuarial loss during the year. 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.

Post Balance Sheet Events

There are no Post Balance Sheet Events.

These financial statements were authorised for issue on 10 July 2008.

Charitable and Political Donations

The Authority and Force makes no political or charitable donations.

Research & Development

BTPA undertakes research into a wide range of activities. The findings are used to develop and improve BTPA'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;

- 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;
- 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 BTPA to achieve its objectives. BTP ensures effective employee involvement through regular consultation with the 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 Strategic Forum (WSF), the Support Association for Minority Ethnic Staff (SAME), the Disability Support Group (DESA) and the Association of Muslim Police. BTPA 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.

Equality and Diversity

BTPA 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 Diversity is embedded in everything we do.

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 Government Resources and Accounts Act 2000. The cost of the audit is £110,000. The Comptroller and Auditor General does not undertake any non audit work for BTPA.

Provision of Audit Information

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

Environmental Management Policy

BTPA has 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.

Specifically, through a significantly enhanced capital and 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;
- Designed energy efficiency into new services, buildings and equipment.

BTPA is now 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 but a range of measuring processes will require putting in place for the coming year 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 which is:

- Modern, resource efficient, with low energy buildings;
- Efficient use of space and ways of working, and
- Where the principles of sustainable development are embedded 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;
- 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, the Pan London Independent Advisory Network, 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.

Numerous engagements have taken place. Community members have fed into events such as Notting Hill Carnival and Chinese New Year. Community members have provided assistance in incidents of serious crime such as the All Saints murder enquiry. Community members have been utilised by BTP providing feedback on the Force Strategic Plan, Domestic Violence, Disability and Diversity Standard Operating Procedures and are at present assisting BTP with its Single Equality Scheme. 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 these forums together with KIN's remains an area for continued development within BTP over the next twelve months.

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 2007-08 performance this was 59% (2006-07 56%).

Future Developments

Operations

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

- Counter Terrorism: The Unit will be continuing to deploy proactive high visibility patrols and the use of technology, dogs and stop and search powers to disrupt potential hostile activity whilst providing reassurance to the travelling public and staff. BTP expects to continue operating at a very high level of threat for the foreseeable future. Our links into all the strategic and tactical level counter terrorism agencies moves from strength to strength and our capability and resilience remains at a high level.
- Call Handling: BTP has developed its plans to enhance capability for call handling. The project to create a new control room and call handling centre in order to rationalise control rooms has a go live date at the end of December 2008. The department is now achieving a very high score in terms of National call handling Standards and this coupled with a high demand for event management increases pressure to deliver. The Management Information & Communications Centre and project manager are fully integrated into the plans for the Olympics 2012.
- Community Engagement and Partnerships: This area of work will be developed greatly over the next few months with far more Neighbourhood Policing sites coming on stream in the coming months.
- Complementary policing: BTP will continue to promote the Railway Safety Accredited 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. A review of Special Constables is taking place and is due to be completed by the end of June 2008.
- Managing fatalities and route crime: BTP continue to work with the Industry to minimise disruption to the rail network. Through partnership groups and direct liaison we tackle route crime issues and act as the point of contact for Network Rail with regard to use of helicopters for route crime and cable theft. Fatality management will continue to be a key priority for the Force in managing disruption.

Staffing

BTP's future staffing plans for 2008-09 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;
- The harmonisation of Police Officer terms and conditions with the Police Negotiating Board (PNB);
- Implementing the upgrade of NSPIS HR (Origin) to increase functionality and support operational management information requirements.

2008-09 Budget

At the March 2008 meeting of the BTPA, members voted unanimously to approve an additional £7.0m for the overground policing and Authority budget.

The settlement of some £187.7m for 2008-09 represents a four per cent increase in the overground and Authority budget. The London Underground budget was agreed at £50.3m which is a 2.4% or £1.2m inflationary increase.

Signature**Accounting Officer**

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:

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

To decide and negotiate:

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

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

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

The HR&R Committee holds formal scheduled meetings – four were held in 2007-08. Four meetings are scheduled for 2008-09.

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 group.

Accordingly the current composition of the BTPA is as follows:

- Chair – Sir Alistair Graham;
- Deputy Chair – Sir David O’Dowd CBE, OStJ, QPM, DL, DipSoc, BA, MSc, DSc(Hon), CCMI;
- 6 members with knowledge of the railway industry;
- 1 member representing the interests of railway employees;
- 1 member representing Scottish and passenger interests and appointed following consultation with the Scottish Executive;
- 1 member representing Welsh and passenger interests and appointed following consultation with the Welsh Assembly;
- 1 members representing the interests of England and passengers;
- 2 members representing passengers.

The table below provides details of Appointment and Service contracts for BTPA Members and Senior Officers for 2007-08.

Appointment/Service Contracts (Audited)

Members	Commencement of Contract	Term expiry date as at 31 March 2008	Notice period required	Main role
Sir Alistair Graham	02/02/2004	30/06/2008	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
Michael Brown MVO	01/07/2004	30/06/2008	3 months	Knowledge of Industry
Colin Foxall CBE	04/07/2005	03/01/2009	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	30/06/2008	3 months	Knowledge of Industry
Jeroen Weimar	01/07/2006	30/06/2010	3 months	Knowledge of Industry
James King	01/07/2004	30/06/2008	3 months	Passenger Interests and Scotland
Christine Knights	01/07/2004	30/06/2010	3 months	Passenger Forum representative
Suzanne May	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	30/06/2008	3 months	Passenger Interests and England

Appointment/Service Contracts *(continued)*

Senior Officers	Commencement of Contract	Term expiry date as at 31 March 2008	Notice period required	Main role
Vacancy				Knowledge of Industry
Subsequent to the year end Michael Brown, Wendy Towers and James King were reappointed to the Authority for four year terms.				
Sir Alistair Graham's contract was subsequently extended by three months.				
Members do not receive termination payments when they leave the authority.				
Richard Hemmings	01/07/2004	30/06/2010	3 months	Chief Executive & Clerk
Deborah McGovern	01/07/2003	Resigned 26/10/2007	3 months	Assistant Clerk
Elizabeth Pike	01/06/2004	31/05/2010	1 month	Treasurer
Tom Phillips	06/12/2006	24/01/2008	n/a	Interim Treasurer
Chief Officers Group	Commencement of Contract	Term expiry date as at 31 March 2008	Notice period required	Main role
Ian Johnston	01/05/2004	01/09/2009	6 months	Chief Constable
Andrew Trotter	05/01/2004	01/08/2011	3 months	Deputy Chief Constable
Robert Coomber	03/12/2006	30/04/2007	n/a	Interim Director, Finance & Corporate Resources
Joy Lincoln	01/05/2007	30/01/2008	n/a	Interim Director, Finance & Corporate Resources
Sharon Burd	07/01/2008	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

Appointment/Service Contracts *(continued)*

Paul Robb	01/04/2002	Resigned 28/07/2007	3 months	ACC (Crime)
Paul Crowther	29/07/2008	Permanent appointment	3 months	ACC (Crime)
Mark Smith	02/11/2007	15/02/2008	n/a	Acting 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

Remuneration of Members and Senior Officers

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

The general factors taken into consideration are:

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

Specific factors relate to policies and guidelines from the National Police Authorities, Police Negotiating Board and the Association of Chief Police Officers (ACPO), 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 2007-08	Value of 'non-cash' benefits 2007-08	Salary Bands 2006-07	Value of 'non-cash' benefits 2006-07
	£000s	£	£000s	£
Members				
J Alistair Graham	30.00-35.00		30.00-35.00	
David O'Dowd	25.00-30.00		20.00-25.00	
Lew Adams	15.00-20.00		15.00-20.00	
Michael Brown	15.00-20.00		10.00-15.00	
Colin Foxall	15.00-20.00		15.00-20.00	
Ian Dobbs*			n/a	n/a
Robin Gisby *				
Michael Holden	15.00-20.00		10.00-15.00	
James King	20.00-25.00		25.00-30.00	
Christine Knights	20.00-25.00		15.00-20.00	
Jeroen Weimar	10.00-15.00		10.00-15.00	
Suzanne May	15.00-20.00		10.00-15.00	
Raymond O'Toole	15.00-20.00		10.00-15.00	
Wendy Towers	15.00-20.00		15.00-20.00	
<i>*No salary taken</i>				
Senior Officers				
Richard Hemmings	110.00-115.00		100.00-105.00	
Deborah McGovern	35.00-40.00		60.00-65.00	
Elizabeth Pike	35.00-40.00	2,500	45.00-50.00	1,700
Tom Phillips	Contractor†		Contractor†	
Chief Officers Group				
Ian Johnston	195.00-200.00	7,500	190.00-195.00	6,800
Andrew Trotter	145.00-150.00	8,600	145.00-150.00	9,720
Robert Coomber	Contractor†		Contractor†	
Joy Lincoln	70.00-75.00		30.00-35.00	
Sharon Burd	25.00-30.00		n/a	
David McCall	100.00-105.00	9,200	100.00-105.00	7,500
Linda Scott	105.00-110.00	2,000	95.00-100.00	1,320
Paul Robb	25.00-30.00	1,900	100.00-105.00	6,200
Stephen Thomas	125.00-130.00	3,200	n/a	
Paul Crowther	90.00-95.00	7,600	85.00-90.00	
Mark Smith	85.00-90.00		80.00-85.00	
Alan Pacey	105.00-110.00	3,500	100.00-105.00	2,700

†£18,500 was paid to Solace Enterprises for the services of Robert Coomber and £22,100 was paid to PriceWaterhouseCoopers for the services of Tom Phillips.

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” 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.

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

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to another pension scheme.

The pension benefits tables below show the member’s cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period.

The increase in CETV effectively funded by the employer is shown. It takes 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 provides pension details for Senior Officers of the BTPA and BTP.

Increase in Pensions in Year (Audited)

Real Increase in Pension 2007-08	Accrued Pension (Bands)	Lump Sum at 60 (Bands)
	£000s	£000s
Authority Officers		
Richard Hemmings	0.0-2.5	0.0-2.5
Deborah McGovern	0.0-2.5	0.0-2.5
Elizabeth Pike	0.0-2.5	0.0-2.5
Tom Phillips	n/a	n/a
Chief Officers Group		
Ian Johnston	0.0-2.5	0.0-2.5
Andrew Trotter	0.0-2.5	0.0-2.5
Robert Coomber	n/a	n/a
Joy Lincoln	0.0-2.5	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	0.0-2.5
Paul Robb	0.0-2.5	0.0-2.5
Stephen Thomas	0.0-2.5	0.0-2.5
Paul Crowther	0.0-2.5	2.5-5.0
Mark Smith	0.0-2.5	2.5-5.0
Alan Pacey	0.0-2.5	2.5-5.0

Pension values at 31st March 2008 (Audited)

Pension Value at 31/03/08	Accrued Pension (Bands)	Lump Sum at 60 (Bands)
	£000s	£000s
Authority Officers		
Richard Hemmings	5.0-7.5	5.0-7.5
Deborah McGovern	2.5-5.0	5.0-7.5
Elizabeth Pike	0.0-2.5	0.0-2.5
Chief Officers Group		
Ian Johnston	10.0-12.5	7.5-10.0
Andrew Trotter	7.5-10.0	5.5-10.0
Robert Coomber	n/a	n/a
Joy Lincoln	0.0-2.5	0.0-2.5
Sharon Burd	0.0-2.5	0.0-2.5
David McCall	7.5-10.0	5.0-7.5
Linda Scott	27.5-30.0	27.5-30.0
Paul Robb	62.5-65.0	52.5-55.0
Stephen Thomas	0.0-2.5	2.5-5.0
Paul Crowther	40.0-42.5	50.0-52.5
Mark Smith	40.0-42.5	47.5-50.0
Alan Pacey	40.0-42.5	50.0-52.5

Cash Equivalent Transfer Values (CETV) (Audited)

	Value at 01/04/2007 £000s	CETV Real Increase 2007-08 £000s	Value at 31/03/2008 £000s
Officers			
Richard Hemmings	85	29	114
Deborah McGovern	28	0	28
Elizabeth Pike	41	-28	13
Chief Officers Group			
Ian Johnston	208	29	237
Andrew Trotter	181	75	256
Robert Coomber	n/a		n/a
Joy Lincoln	7	7	14
Sharon Burd	n/a	6	6
David McCall	152	66	218
Linda Scott	399	7	406
Paul Robb	1,426	510	1,936
Stephen Thomas	0	9	9
Paul Crowther	750	-44	706
Mark Smith	661	-84	577
Alan Pacey	921	37	958

Signature**Accounting Officer**

Statement of Authority Members' Responsibilities

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

The Authority has amongst others, the following responsibilities to:

- Maintain an efficient and effective police force;
- Police 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.

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:

Sir Alistair Graham – Chairman

As well as being the Chairman of the Authority, Sir Alistair holds the following appointments – Employment Appeal Tribunal (Lay Member); Ministry of Justice – Non-Executive Director of the Management Board of the Information Commissioners Office; Member of the Fitness to Practice Panel, General Optical Council and Chairman of Phone pay Plus (previously known as ICSTIS).

Chairman, Belford Hall Management Company Limited

Honorary Vice – President, OPERA NORTH.

Non Executive Director:

Durham County Cricket Club Holdings Ltd

Authority Member responsibility:

Police Service Agreement Liaison

Strategy, Budget and Performance Monitoring Committee (Chair)

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

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

Member of the 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

Ian is 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 & Performance Monitoring Committee
London South Area
Staff Assaults

Colin Foxall CBE – Passenger Interests and Wales

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

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.

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

Michael Holden – Knowledge of Industry

Michael is a Director of Coedale 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

James King – 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

Christine Knights – Passenger Focus Representative

Christine is a Member of the 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

Suzanne May OBE – Passenger Interests

Company Secretary, Mayday Management Services Ltd. Life Vice-President Campaign for Better Transport (formally Transport 2000).

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

Mr Raymond O'Toole – Knowledge of Industry

Chief Executive, 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)

Statement Of Accounting Officer's Responsibilities

Under the Railways and Transport Safety Act (2003) the Secretary of State for Transport has directed the BTPA to prepare, for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the BTPA and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Accounting Officer of 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 Accounting Officers' Memorandum issued by the DfT and published in Managing Public Money.

Statement On Internal Control

Scope of responsibility

As Accounting Officer for the British Transport Police, I have responsibility for maintaining a sound system of internal control that supports the achievement of the British Transport Police Authority (BTPA's) 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. I am directly accountable to the British Transport Police Authority.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in constant development and improvement during the year ended 31 March 2008 and up to the date of approval of the annual report and accounts complies with HM Treasury guidance.

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 Chief Executive and Clerk, have taken the lead on Risk Management.

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

Each Chief Officer and Area Commander has appointed a Risk Representative to act as the single point of contact in their Portfolio or Area. The Risk Representatives assists the force Risk Management Coordinator to provide the necessary co-ordination and guidance of the Risk Management methodology to the senior managers and risk owners.

BTP's Programme Management Unit provides project and programme managers throughout BTP with one-to-one training and coaching in the BTP Project Management methodology and with assistance in setting up project management controls. Risk and Issue logs are incorporated into the in-house Project Management methodology, which Programme Management has adapted from PRINCE2 methodology. Similarly Health and Safety risks, Business Continuity risks, and Insurable risks are dealt with by those specialist areas. Civil contingency risks including major disasters are dealt with by that department in close co-operation with our partners.

The Risk and Control Framework

A Risk Policy Framework document approved by the BTPA is available to the organisation explaining the underlying approach to risk management and documenting the roles of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting actions. The latest Policing Plan details the objectives the BTP is required to achieve. It is the management of the risks to these objectives that we have to identify and strive to mitigate.

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

external audits, and Risk Management arrangements. 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;
- 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 system of internal control;
- Examine and report annually on the BTPA's Risk Management and Corporate Governance arrangements. In 2007/08 they focused on the maturity of the process in the Areas and Portfolios where there has been significant progress. Their report is awaited.

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

- The quarterly ACG Committee, chaired by the BTPA, monitors BTP's system of internal control;
- 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 approving new and closed Strategic Risks;
- The monthly Corporate Assurance Group (CAG), chaired by the Deputy Chief Constable (DCC), which monitors and evaluates internal controls and enacts recommendations from the ACG Committee;
- The quarterly Risk Committee chaired by the DCC ensures that areas of significant Strategic risk are identified and analysed. It quality assures the risk mitigation process;
- Monthly risk reviews held at the Areas and Portfolio meetings.

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

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 comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the ACG Committee and CAG and a plan to address weaknesses and ensure continuous improvement of the Risk Management process is in place.

In addition, in early 2008, a health check of Risk Management in BTP was undertaken by the Institute of Internal Auditors (IIA). The IIA reported that "considerable progress had been made by BTP since 31 October 2006" and that the findings were "impressive with many examples of best practice identified". IIA found 47 items of good practice and only 13 suggestions where improvements might be made. While in 2006 the risk maturity of BTP could have been classed as low, the assessment was that on a scale of 1 to 5 "BTP was well on the way to achieving Level 4".

Improvements to the further understanding of the Risk Management process throughout the BTP and to further involve the Chief Officers Group are planned. The auditor declared our Risk Management maturity as giving 'adequate' assurance. We are aiming for excellence ie 'High Assurance' with all

Areas and Portfolios being pro-active in the risk management process. Additionally there is a need for BTP to consider the risk management arrangements of its partners to be satisfied that these are adequate and do not jeopardise the achievement of the Strategic Plan. Additionally BTP needs to enhance the escalation process by improving the prioritising of risk throughout the Areas and Portfolios by ensuring all involved use the standard definitions for the impact and probability. Finally, in the coming year there will be a drive to identify opportunities as well as risks.

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

Signature**Accounting Officer**

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

I certify that I have audited the financial statements of the British Transport Police Fund for the year ended 31 March 2008 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 Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements 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 Secretary of State's directions made thereunder. I report to you whether, in my opinion, the information in the Introduction and unaudited part of the Remuneration Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purpose 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 has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects 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 unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of my 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 judgements 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 Police Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from

material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Railways and Transport Act 2003 and directions made thereunder by the Secretary of State, of the state of British Transport Police Authority's affairs as at 31 March 2008 and of its surplus 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 Secretary of State's directions made thereunder; and
- information included within the Introduction and the unaudited parts of the Remuneration Report is consistent with the financial statements.

Opinion on Regulatory

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.

*TJ Burr
Comptroller and Auditor General*

10 July 2008

*National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS*

Income and Expenditure Account
for the year ending 31 March 2008

		31 March 2008	31 March 2007
	Note	£000	£000
Income			
Trading income	2	197,719	180,503
Government grants	2	996	1,095
		<u>198,715</u>	<u>181,598</u>
Operating expenditure			
	3	<u>(207,489)</u>	<u>(195,856)</u>
Operating Surplus/(Deficit)		(8,774)	(14,258)
Profit/(Loss) on disposal of fixed assets		155	(397)
Notional cost of capital credit	4	<u>2,414</u>	<u>1,285</u>
Surplus/(Deficit) on ordinary activities before interest		(6,205)	(13,370)
Net Interest Payable	12	(11)	(22)
Net Interest Receivable for pension schemes	28	<u>15,000</u>	<u>10,400</u>
Net Operating Surplus/(Deficit)		8,784	(2,992)
Reversal of notional cost of capital credit	4	<u>(2,414)</u>	<u>(1,285)</u>
Net Surplus/(Deficit) for the financial year		<u>6,370</u>	<u>(4,277)</u>

The surplus/(deficit) for the financial year is transferred to reserves. Movements in reserves are set out in Note 16.

The net surplus of £6.37m in 2007-08 includes a credit of £4.40m relating to FRS17 pensions accounting (see notes 16 and 28). The operational surplus is £1.97m. In 2006-07 the deficit of £4.28m includes a cost of £4.61m relating to FRS17 pensions accounting. The operational surplus was £0.33m.

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.

Statement of Total Recognised Gains and Losses
For the Year Ending 31 March 2008

		Period Ending 31 March 2008	31 March 2007
	Note	£000	£000
Surplus/(Deficit) for the financial year		6,370	(4,277)
Net Gain/(Loss) on revaluation of fixed assets	16	1,011	128
Actuarial Gain/(Loss) relating to the pension scheme	28	(164,040)	83,760
Total gains and losses recognised since the last annual report		<u>(156,661)</u>	<u>79,611</u>

Accounting policies and notes forming part of these accounts are on pages 34 to 53.

Balance Sheet as at 31 March 2008

	Note	31 March 2008 £000	31 March 2007 £000
Fixed Assets			
Intangible assets	5	1,943	1,040
Tangible assets	6	31,157	29,808
		33,100	30,848
Debtors: amounts falling due after more than one year	7	3,500	5,000
Current Assets			
Debtors: amounts falling due within one year	8	16,042	22,788
Cash at bank and in hand	9	25,303	11,144
		41,345	33,932
Liabilities			
Creditors: amounts falling due within one year	10	(25,520)	(28,101)
Net Current Assets		15,825	5,831
Total assets less current liabilities		52,425	41,679
Creditors: amounts falling due after more than one year	11	(3,500)	(5,000)
Provisions for liabilities and charges	13	(2,038)	(1,490)
Net assets excluding pension liability		46,887	35,189
Pension Liability	28	(189,840)	(30,200)
Net assets including pension liability		(142,953)	4,989
Financed by:			
General Reserve	16	42,625	32,618
Revaluation Reserve	16	1,168	157
Other Reserves	16	(186,746)	(27,786)
		(142,953)	4,989

SIGNED
Accounting Officer

Accounting policies and notes forming part of these accounts are on pages 34 to 53.

Cash flow Statement

for the Year Ending 31 March 2008

		31 March 2008	31 March 2007
	Note	£000	£000
Net cash flow from operating activities	17 a)	12,693	13,483
Return on investments and servicing of finance			
Interest paid	12	(8)	0
Finance lease interest	12	(3)	(22)
		(11)	(22)
Capital expenditure			
Payments to acquire tangible fixed assets	6	(7,810)	(11,876)
Payments to acquire intangible fixed assets	5	(634)	(342)
Sale of tangible fixed assets		251	46
		(8,193)	(12,172)
Financing:			
Capital element of finance leases	20	(111)	(372)
TOC Disputes		0	(7,525)
Prior year invoices	16	(14)	0
Recovery of written off bad debt		0	26
Grants Received	16	9,794	12,370
		9,670	4,499
Increase in cash for the period		14,159	5,788

Accounting policies and notes forming part of these accounts are on pages 34 to 53.

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) 2007/08 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of BTPA for the purpose of giving a true and fair view has been selected. BTPA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts;
- b) other guidance that HM Treasury may issue from time to time in respect of accounts that are required to give a true and fair view;
- c) any other specific disclosures required by the Secretary of State; except where agreed otherwise by HM Treasury, in which case the exception shall be described in the notes to the accounts.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and follow the requirements of the 2007/08 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 includes refurbishment costs for buildings held on operating leases that BTPA have 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:

- Land and buildings – 25 years
- Plant and machinery – 5 years
- Fixtures and fittings - 5 years
- Information technology – 5 years
- Road vehicles – 5 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. 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 1st July 2004 all past and present employees were covered either by the British Transport Police Force Superannuation Fund (BTPFSF) for police officers, which was established by deed; or the Railway Pension Scheme (RPS), a scheme setup by the Railway Pension Scheme Order (1994) for other staff.

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

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 also had a number of finance leases in respect of vehicles. These expired on 30 June 2007. The leases are carried on the balance sheet, separated into those with less

than one year remaining, 2-5 years and over 5 years. The interest payments applicable to these are charged to the Income and Expenditure Account.

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

1.10 Grants

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 & Expenditure account in line with the depreciation charged on the asset.

1.11 Provisions

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

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

1.12 VAT

Value added tax is included in the accounts of the Authority, whether of a capital or revenue nature, only to the extent that it is 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 in the period in which it is due.

1.14 Stock

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

1.15 Research and Development

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

1.16 Insurance

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

2. Operating Income

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

	31 March 2008	31 March 2007
	£000	£000
Police Service Agreements income	183,049	170,708
Other income	14,670	9,795
Release from government grant reserve	996	1,095
Total	198,715	181,598

3. Operating Expenses

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

		31 March 2008	31 March 2007
	Note	£000	£000
Staff costs	27	155,209	148,155
Supplies and services: other staff costs		2,827	3,022
Supplies and services: communications and computers		8,627	8,588
Supplies and services: other		15,327	13,932
Premises		15,024	11,833
Depreciation		6,708	6,156
Transport costs		3,767	4,170
Total		207,489	195,856

Included in Supplies and Services: other is a charge of £110,000 for auditors remuneration.

4. Cost of Capital

	31 March 2008	31 March 2007
	£000	£000
Cost of Capital	2,414	1,285

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

5. Intangible Fixed Assets

Intangible assets comprise of software & software licences.

	Purchased Software Licences	Purchased Software	Total
	£000	£000	£000
Cost			
At 1 April 2007	1,149	137	1,286
Additions	486	148	634
Transfer	319	656	975
Write off	(10)	0	(10)
Disposals	0	0	0
At 31 March 2008	1,944	941	2,885
Depreciation			
At 1 April 2007	246	0	246
Charge for the Period	438	33	471
Transfer	208	19	227
Write off	(2)	0	(2)
Disposals	0	0	0
At 31 March 2008	890	52	942
NBV at 31 March 2008	1,054	889	1,943
NBV at 31 March 2007	903	137	1,040
Asset Financing:			
Owned	1,054	889	1,943
NBV at 31 March 2008	1,054	889	1,943

6. Tangible Fixed Assets

	Leasehold Improvements	Plant and Machinery	Vehicles	Assets Under Construction	Fixtures & Fittings	IT Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 April 2007	15,734	9,735	9,321	0	451	18,636	53,877
Additions	988	1,063	1,155	1,738	143	2,723	7,810
Transfer	(258)	(392)	7	0	770	(1,102)	(975)
Write off	70	(22)	38	0	0	(167)	(81)
Disposals	(1,149)	0	(2,053)	0	0	0	(3,202)
Indexation	541	353	(28)	0	70	(279)	657
At 31 March 2008	15,926	10,737	8,440	1,738	1,434	19,811	58,086
Depreciation							
At 1 April 2007	4,041	5,011	4,652	0	45	10,320	24,069
Charge for the Period	574	1,653	1,231	0	252	2,526	6,236
Transfer	(182)	(110)	1	0	313	(249)	(227)
Write off	133	(106)	2	0	0	(48)	(19)
Disposals	(1,149)	0	(1,957)	0	0	0	(3,106)
Indexation	29	134	33	0	25	(245)	(24)
At 31 March 2008	3,446	6,582	3,962	0	635	12,304	26,929
NBV at 31 March 2008	12,480	4,155	4,478	1,738	799	7,507	31,157
NBV at 31 March 2007	11,693	4,724	4,669	0	406	8,316	29,808
Asset Financing:							
Owned	12,480	4,155	4,478	1,738	799	7,507	31,157
NBV at 31 March 2008	12,480	4,155	4,478	1,738	799	7,507	31,157

7. Debtors: Amounts Falling Due after more than one year

	31 March 2008	31 March 2007
	£000	£000
PSA Debtor*	3,500	5,000
	3,500	5,000

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

8. Debtors falling due within one year

	31 March 2008	31 March 2007
	£000	£000
Trade Debtors	10,631	14,931
PSA debtor*	1,500	5,000
VAT Debtor	0	66
Other Debtors	450	577
Prepayments and accrued income	3,691	2,241
Less: Provision for Doubtful Debts	(230)	(27)
Total	16,042	22,788

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

	£000	£000
Other central government bodies	1,492	6,588
Local authorities	405	108
Intra-government debtors	1,897	6,696
Bodies external to government	14,145	16,092
	16,042	22,788

9. Cash at Bank and in hand

	31 March 2008	31 March 2007
	£000	£000
Cash at bank and in hand	25,303	11,144
	25,303	11,144

10. Creditors: Amounts falling due within one year

	31 March 2008	31 March 2007
	£000	£000
Department for Transport Loan	1,500	5,000
Trade Creditors	1,201	2,635
Finance Lease Creditors	0	111
VAT Creditor	508	0
Other Taxation & Social Security	4,216	3,660
London Underground Ltd	1,272	810
Other Creditors	2,748	2,749
Accruals & Deferred Income	14,075	13,136
Total	25,520	28,101

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

	<u>£000</u>	<u>£000</u>
Other central government bodies	6,315	8,736
Local authorities	4	20
Public corporations and trading funds	1,272	810
Intra-government creditors	<u>7,591</u>	<u>9,566</u>
Bodies external to government	17,929	18,535
	<u>25,520</u>	<u>28,101</u>

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

	<u>31 March 2008</u>	<u>31 March 2007</u>
	<u>£000</u>	<u>£000</u>
Department for Transport Loan	3,500	5,000
	<u>3,500</u>	<u>5,000</u>

12. Net Interest

Interest

	<u>31 March 2008</u>	<u>31 March 2007</u>
	<u>£000</u>	<u>£000</u>
Interest payable on:		
Bank loans and overdraft	8	0
Leases	3	22
Net interest payable	<u>11</u>	<u>22</u>

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.

13. Provisions

Provisions have been recognised within the accounts where:

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

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

	Claims			Total
	Against the Authority	Employment Tribunals	Dilapidations	
	£'000	£'000	£'000	£'000
Balance as 1 April 2007	540	100	850	1,490
Provided in year	260	685	0	945
Provisions not required written back	(157)	(13)	0	(170)
Provisions utilised during the year	(140)	(87)	0	(227)
Balance as at 31 March 2008	503	685	850	2,038

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.

Other Provisions

This provision applies to dilapidations of leasehold properties.

14. Contingent Liabilities

Claims against the Authority can be made up to six years after the event. BTPA commissioned a report in May 2008 in which actuaries estimated BTPA's possible Employer and Public liabilities and Motor and Property damage claims up to 31 March 2008. The report estimates that in addition to the provisions made for Employer, Public liability and Motor and Property damage claims it is probable that BTPA could incur a further liability of £816,000 for claims yet to be received.

15. Charges to Police Service Users

The BTPA and the Department have achieved a satisfactory and agreed regime of charges to Police Service users which applies from April 2007. This new charging formula has been accepted by most Police Service users although some Train Operating Companies (TOCs) are withholding payment totalling £6.7m. The companies have been given leave to pursue Judicial Review to challenge the charging model but no decision is expected before 2009.

The previous formula resulted in some £7.5 million of BTPA allocations of charges to certain TOCs not being recovered from Police Service users following earlier disputes. Discussions with the DfT has led to the matter being put on hold pending resolution of the current outstanding disputes. Once the current disputes are settled there are two alternative outcomes to settling the previous disputes.

If it is settled that the funds originally awarded by the DfT to cover the shortfall are not to be recovered from the PSA holders then no further action will be necessary and the matter closed.

If it is decided that the funds awarded by the DfT to cover the shortfall are to be recovered from the PSA holders, then BTPA and the Department are to work together to secure recovery of these funds. If the monies are to be recovered, and reflecting the timing of that recovery, BTPA will be required to surrender that money (net of recovery costs) to the Department. In this event, the BTPA in agreement with the Department, have decided to treat the advance from the Department as if it were a loan without a pre-determined repayment schedule. If and when elements of the monies become reasonably certain of recovery, the BTPA intends to reclassify part of the Departmental loan (net of recovery costs) as a creditor due to the Department, and to establish a corresponding debtor due from the TOC (or parent company) in question. In this way recovery of the monies is neutral in impact on current and future operational costs, charges to current service users and overall funding of the BTPA.

16. Reserves

	General Reserve	Contingency Reserve	Grant Reserve	Revaluation Reserve	Pension Reserve	Total Reserve
	£000	£000	£000	£000	£000	£000
Opening balance	32,618	0	2,414	157	(30,200)	4,989
Retained surplus for the period	6,370	0	0	0	0	6,370
Cash Received from Debtor/Creditor previously written off	(83)	0	0	0	0	(83)
Transfer to/(from)	(5,800)	1,400	0	0	4,400	0
Indexation	0	0	0	1,011	0	1,011
Revenue Grant Received	335	0	0	0	0	335
Capital Grant in Aid Received	9,187	0	272	0	0	9,459
Pension movement	0	0	0	0	(164,040)	(164,040)
Amortisation	0	0	(994)	0	0	(994)
Closing balance	42,627	1,400	1,692	1,168	(189,840)	(142,953)

General Reserve

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

	Distributable Reserve	Capital Financing Reserve	Working Capital Reserve	Total
	£000	£000	£000	£000
Opening balance	(102)	26,220	6,500	32,618
Retained surplus for the period	6,370	0	0	6,370
Cash Received from Debtor/Creditor previously written off	(83)	0	0	(83)
Transfer to/(from)	(5,800)	0	0	(5,800)
Indexation	0	0	0	0
Revenue Grant Received	335	0	0	335
Capital Grant in Aid Received	0	9,187	0	9,187
Pension movement	0	0	0	0
Amortisation	0	0	0	0
Closing balance	720	35,407	6,500	42,627

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. The Working Capital Reserve represents Grant in Aid from the Department for Transport to ensure the liquidity of BTPA.

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 year's budget. The reserve is not expected to exceed £3m, 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 expenditure 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.

Pension Reserve

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

17. Notes to the Cash Flow Statement

A) Reconciliation of operating surplus/(deficit) to operating cash flow

	31 March 2008	31 March 2007
	£000	£000
Operating deficit	(8,774)	(14,258)
Depreciation charges	6,708	6,156
Release of government grant reserve	(996)	(1,095)
Write off for MHCA	329	616
Increase/decrease debtors	8,247	1,153
Increase/decrease creditors	(3,968)	5,675
Increase/decrease provisions	547	226
Pension charges	10,600	15,010
Net cash inflow from operating activities	12,693	13,483

B) Analysis of changes in net funds

	At 1 April 2007	Cash flow	Non-cash movements	At 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	11,144	14,159	0	25,303
Finance leases	(111)	111	0	0
Total	11,033	14,270	0	25,303

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

	31 March 2008
	£000
Increase in cash in the period	14,159
Cash out flow from decrease in debt and leasing financing	111
Movement in net debt in the period	14,270
Net debt at 01.04.07	11,033
Net debt at 31.03.08	25,303

18. Capital Commitments

As at the balance sheet date there were 4 Capital Commitments totalling £143,000 relating to work yet to be started on properties at Bangor, Southport, CTRL St Pancras and the Northern Control Room.

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

	31 March 2008	31 March 2007
	£000	£000
Land and buildings	4,779	4,811
Plant and machinery	207	178
Total	4,986	4,989

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 2008	31 March 2007
	£000	£000
Operating leases which expire:		
Within one year	100	199
Between two to five years	733	1013
Over five years	4,154	4,111
Total	4,986	5,323

20. Finance Leases

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

	31 March 2008	31 March 2007
	£000	£000
Finance leases which expire:		
Within one year	0	111
Total	0	111

21. Losses and Special Payments

Total losses were below £250,000.

22. Related Party Transactions

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

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

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

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

Also, four members are drawn from a background which requires them to have an interest with people travelling on the railway.

PriceWaterhouseCoopers (PWC) and Amey Plc are also related parties by virtue of family connections including in respect of London Underground. BTPA spent £714,000 with PWC in 2007-08. There was no expenditure with Amey plc.

23. Financial Instruments

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

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

Liquidity Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

Fair Values

Set out below is a comparison by category of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2008.

	Book Value	Fair Value
	£000	£000
Primary Financial Instruments:		
Financial Assets:		
Cash at Bank	25,303	25,303
Financial Liabilities:		
Provisions	2,038	2,038

24. Post Balance Sheet Events

There are no post balance sheet events.

25. 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 Strategic Rail Authority (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. Therefore staff costs for "L Area" are not included as expenditure in BTPA's accounts but are included in LUL's accounts.

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

In 2007-08 staff costs relating to LUL were £40.5m (£40.5m for the year ended 31 March 2007). The average number of officers employed on London Underground during 2007-08 was 892 (845 for the year ended 31 March 2007).

26. Third Party Assets

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

27. Staff & Retirement Benefits

Staff Numbers and Costs

A) Total staff costs consist of:

	31 March 2008	Permanently Employed Staff	Temporary Employed Staff	31 March 2007
	£000	£000	£000	£000
Salaries and Wages	119,302	116,209	3,093	111,556
Social Security Costs	9,928	9,928	0	9,358
Other Pension Costs	25,979	25,979	0	27,242
Sub-total	155,209	152,116	3,093	148,156
Less recoveries in respect of outward secondments	(929)	(929)	0	(731)
Total Staff costs	154,280	151,187	3,093	147,425

Between 1 April 2007 and 31 March 2008, contributions of £21,500,000 were paid to the Railway Pension Scheme and the British Transport Police Force Superannuation Fund (BTPFSF) at rates determined by the scheme's Actuary. Employer's contributions are currently 14.6% for the Railways Pension Scheme and 24% for the BTPFSF.

Three employees retired early on ill-health grounds (10 persons for the year ended 31 March 2007); The total additional accrued pension liabilities in the year amounted to £4,261 (£9,941 for the year ended 31 March 2007).

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 2008 Total	31 March 2007 Total
	2,090	242	979	3,311	3,170

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 2008 Total	31 March 2007 Total
	0	0	81	81	66

28. 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 £32.1m. This cost is partially offset by employer contributions of £21.5m and a net return on the pension fund of £15.0m, leaving a net credit of pensions for the year of (£4.4)m. The total pension liabilities for all staff, past and present, is shown in the Balance Sheet. This amounts to £189.84m. HM Treasury have

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 Agreement with BTPA.

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

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

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

British Transport Police Force Superannuation Fund (BTPFSF)

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

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 is paying a deficit payment of 1.7% of the benefit outgoings for the 1970 contributory section of the BTPFSF for 3 years from April 2005.

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 four years were:

2004-05 19.5% of salaries;
 2005-06 19.3% of salaries;
 2006-07 19.3% of salaries;
 2007-08 13.8% of salaries.

B) The major assumptions used by the actuary were

	31 March 2008	31 March 2007	31 March 2006	31 March 2005
	%	%	%	%
Inflation assumption	3.5%	3.1%	3.0%	2.9%
Rate of increase in salaries	5.0%	4.6%	4.5%	4.4%
Rate of increase for pensions in payment and deferred pensions	3.5%	3.1%	3.0%	2.9%
Discount rate	5.9%	5.4%	5.0%	5.4%

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

	Long-term rate of return expected at 31 March 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	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005
	%	£000	%	£000	%	£000	%	£000
Equities	7.80%	626,300	7.90%	646,100	7.50%	603,800	7.90%	463,700
Bonds	5.25%	98,900	5.05%	105,200	4.60%	91,000	5.00%	82,400
Property	6.50%	56,400	6.50%	58,300	6.05%	51,100	6.45%	45,500
Other	5.00%	29,800	5.25%	41,400	4.50%	21,300	4.70%	19,300
Allowance for Government Support Payments	5.90%	18,400	5.40%	18,600	4.95%	23,900	5.40%	23,300
Total market value of assets		829,800		869,600		791,100		634,200
Present value of scheme liabilities		(999,000)		(898,100)		(897,200)		(765,500)
Pension scheme deficit		(169,200)		(28,500)		(106,100)		(131,300)
Net pension liabilities		(169,200)		(28,500)		(106,100)		(131,300)

D) Analysis of the amount charged to operations

	31 March 2008	31 March 2007
	£000	£000
Current service cost	27,000	29,200
Past service cost	0	0
Total operating charge	27,000	29,200

E) Analysis of the amount credited to other finance income

	31 March 2008	31 March 2007
	£000	£000
Expected return on pension scheme assets	(63,100)	(54,800)
Interest on pension scheme liabilities	48,700	44,800
Net credit to other income	(14,400)	(10,000)

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

	31 March 2008	31 March 2007
	£000	£000
Actual return less expected return on pension scheme assets	(101,100)	20,300
Experience gains and losses arising on the scheme liabilities	(35,800)	17,800
Changes in assumptions underlying the present value of the scheme liabilities	(10,100)	40,500
Actuarial gain/(loss) recognised in the STRGL	<u>(147,000)</u>	<u>78,600</u>

G) Movement in shortfall during the year:

	31 March 2008	31 March 2007
	£000	£000
Shortfall in scheme in the beginning of the year	(28,500)	(106,100)
Movement in year:		
Current service costs	(27,000)	(29,200)
Employer contributions	18,900	18,200
Past service costs	0	0
Other finance income	14,400	10,000
Actuarial gain/(loss)	(147,000)	78,600
Shortfall in scheme at the end of the year	<u>(169,200)</u>	<u>(28,500)</u>

The actuarial update as at 31 March 2008 showed an increase in the shortfall from £28,500,000 to £169,200,000.

H) History of experience gains and losses

	31 March 2008	31 March 2007	31 March 2006	31 March 2005
	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets:	(101,100)	20,300	110,600	25,700
Percentage of scheme assets	12%	2%	14%	4%
Experience gains and losses on scheme liabilities:	(35,800)	17,800	7,900	(8,900)
Percentage of the present value of the scheme liabilities	4%	2%	1%	1%
Total amount recognised in statement of total recognised gains and losses:	(147,000)	78,600	25,900	(52,300)
Percentage of the present value of the scheme liabilities	15%	9%	3%	7%

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

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

This fund is open to new members.

The BTPS provides benefits of a "final salary" basis at the normal retirement age of 60. Benefits accrue at the rate of one-sixtieth of pensionable salary for each year of service. In addition, a lump sum equivalent to one fortieth of final pay 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 employer's contribution figure) less actual employee contributions. BRASS are additional voluntary contributions made by the employee. Members are entitled to receive employer contributions matching their own contribution up to a set level. Currently this is being met from the sections assets and will only become payable by the employer in event of the section of the scheme having a shortfall.

Under the Rules and Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The Authority uses Mercer Limited to provide all the FRS17 valuation.

The most recent independent actuarial valuation was carried out as at 31 December 2007 with the results and actions requiring finalisation by 31 March 2009.

A) The employer's pension contributions for the three years from 2004-05 are nil, as the employer had a contribution holiday until 31 March 2007.

2007-08 3.3% of salaries

B) The major assumptions used by the actuary were:

	31 March 2008	31 March 2007	31 March 2006	31 March 2005
	%	%	%	%
Inflation assumption	3.5%	3.1%	3.0%	2.9%
Rate of increase in salaries	5.0%	4.6%	4.5%	4.4%
Rate of increase for pensions in payment and deferred pensions	3.5%	3.1%	3.0%	2.9%
Discount rate	5.9%	5.4%	5.0%	5.4%

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

	Long-term rate of return expected at 31 March 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	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005
	%	£000	%	£000	%	£000	%	£000
Equities	7.80%	29,240	7.90%	26,930	7.50%	25,710	7.90%	18,740
Bonds	5.25%	2,140	4.90%	2,540	4.60%	3,150	5.00%	2,410
Property	6.50%	3,680	6.40%	3,670	6.05%	1,800	6.45%	2,000
Other	5.00%	4,400	5.25%	4,320	4.50%	1,770	4.70%	1,450
Total market value of assets		<u>39,460</u>		<u>37,460</u>		<u>32,430</u>		<u>24,600</u>
Present value of scheme liabilities		(60,100)		(39,160)		(35,680)		(26,510)
Pension scheme deficit		(20,640)		(1,700)		(3,250)		(1,910)
Net pension liabilities		<u>(20,640)</u>		<u>(1,700)</u>		<u>(3,250)</u>		<u>(1,910)</u>

D) Analysis of the amount charged to operations

	31 March 2008	31 March 2007
	£000	£000
Current service cost	5,100	4,010
Past service cost	0	0
Total operating charge	<u>5,100</u>	<u>4,010</u>

E) Analysis of the amount credited to other finance income

	31 March 2008	31 March 2007
	£000	£000
Expected return on pension scheme assets	(2,900)	(2,280)
Interest on pension scheme liabilities	2,300	1,880
Net return	<u>(600)</u>	<u>(400)</u>

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

	31 March 2008	31 March 2007
	£000	£000
Actual return less expected return on pension scheme assets	(4,400)	1,300
Experience gains and losses arising on the scheme liabilities	(8,570)	630
Changes in assumptions underlying the present value of the scheme liabilities	(4,070)	3,230
Actuarial loss recognised in the STRGL	<u>(17,040)</u>	<u>5,160</u>

G) Movement in shortfall during the year:

	31 March 2008	31 March 2007
	£000	£000
Shortfall in scheme in the beginning of the year	(1,700)	(3,250)
Movement in year:		
Current service costs	(5,100)	(4,010)
Employer contributions	2,600	0
Past service costs	0	0
Other finance income	600	400
Actuarial gain/(loss)	(17,040)	5,160
Shortfall in scheme at the end of the year	<u>(20,640)</u>	<u>(1,700)</u>

The actuarial update as at 31 March 2008 showed an increase in the shortfall from £1,700,000 to £20,630,000.

H) History of experience gains and losses

	31 March 2008	31 March 2007	31 March 2006	31 March 2005
	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets:	(4,400)	1,300	500	930
Percentage of scheme assets	11%	3%	15%	4%
Experience gains and losses on scheme liabilities:	(8,570)	630	560	20
Percentage of the present value of the scheme liabilities	14%	2%	0%	0%
Total amount recognised in statement of total recognised gains and losses:	(17,040)	5,160	1,110	(3,450)
Percentage of the present value of the scheme liabilities	28%	13%	3%	13%



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