
British Transport Police Fund

Statement of Accounts for the year ended 31 March 2011

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Introduction

British Transport Police Authority

Annual Report and Accounts 2010-2011

The British Transport Police Authority is an executive non-departmental public body of the Department for Transport, established under section 18 of the Railways and Transport Safety Act 2003.

This Annual Report is submitted to the Secretary of State for Transport under section 58 of the Act.

The audited financial statements in this report are for the year ended 31 March 2011. They have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FRM) issued by HM Treasury. This statement of accounts for the British Transport Police Fund is presented to Parliament pursuant to Schedule 4, Part 3 17(b) of the Act.

These accounts meet the requirements of the Railways and Transport Safety Act 2003. The Statement of Comprehensive Income for the year is shown on page 48 and the Statement of Changes in Taxpayers Equity on page 51. The Statement of Financial Position and Statement of Cash Flows are shown on pages 49 and 50 respectively.

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Structure of the Police Authority

Urmila Banerjee CBE

Chairman

BTPA responsibilities:

- Police Authority: Chairman
- Strategy group: Chairman
- Portfolio allocation: Chief Constable

Appointments outside BTPA:

- NHS Newham primary care Trust: Non-executive Director;
 - Ofcom: Non-executive Board member;
 - Peabody Trust: Trustee
 - Postcomm: Chairman
-

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

Deputy Chairman

BTPA responsibilities:

- Police Authority: Deputy Chairman
- Audit committee: Chairman
- Policing plan group: Chairman
- Strategy group
- Portfolio allocation: Deputy Chief Constable

Appointments outside BTPA:

- University of Leicester: member of the court
 - Deputy Lord Lieutenant for the County of Northamptonshire.
-

Lew Adams OBE

Member with knowledge and experience of rail employee interests

BTPA responsibilities:

- Police Authority
 - Professional standards committee
 - Policing plan group
 - Portfolio allocations: HR Director and London North area
-

Appointments outside BTPA:

- British Transport Police Force Superannuation Fund: pension management committee member;
 - Friends of the National Railway Museum, York: member
 - Transport Benevolent Fund: patron
-

Howard Collins

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Professional standards committee
- Performance review group: Chairman
- Portfolio allocations: London South area

Appointments outside BTPA:

- London Underground: Chief Operating Officer
 - London Transport Museum: Trustee
 - Transport for London Pension Fund: Trustee Director
-

Ian Dobbs

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Professional standards committee
- Strategy group
- Finance group: Chairman
- Portfolio allocations: ACC (Protective Services)

Appointments outside BTPA:

- Rail Value for Money study, Department for Transport/Office of Rail Regulation jointly-sponsored project: Deputy Chairman
- RC&M Services (UK) Ltd: Director

Colin Foxall CBE

Member with knowledge and experience of passenger interests in Wales

BTPA responsibilities:

- Police Authority
- Audit committee
- Portfolio allocations: Wales & Western area

Appointments outside BTPA:

- Passenger Focus: Chairman
-

Elizabeth France CBE

Member with knowledge and experience of passenger interests

Appointed 1 July 2010

BTPA responsibilities:

- Police Authority
- Professional standards committee
- Performance review group
- Policing plan group
- Portfolio allocations: North West area

Appointments outside BTPA:

- Office for legal complaints: Chairman
 - Aberystwyth University: Vice-President
 - Manchester University general assembly: member
 - UK Public Affairs Council: Chair
-

Robin Gisby

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Strategy group
- Policing plan group
- Portfolio allocations: ACC (Operations)

Appointments outside BTPA:

- Network Rail: Director, Operations and Customer Services
-

Michael Holden

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit committee
- Performance review group
- Policing plan group
- Portfolio allocations: Director of Finance & Corporate Services

Appointments outside BTPA:

- Coledale Consulting Limited: Director
 - Directly Operated Railways: Director
 - East Coast Main Line Company Ltd: Director
 - First Class Partnerships: Associate
 - Railway Children: Director (non-remunerated)
 - Pinewood Gymnastics Club: Trustee
 - Railway Children Trading Ltd: Director (non-remunerated)
 - Railway Children Ball Ltd: Director (non-remunerated)
-

James King

Member with knowledge and experience of passenger interests in Scotland

BTPA responsibilities:

- Police Authority
- Audit committee
- Performance review group
- Policing plan group
- Portfolio allocations: Scotland area and ACC (Scotland)

Appointments outside BTPA:

- Marketing Principals International: Director
- Passenger Focus: member for Scotland (to July 2010)
- Public Transport Users' Committee: member for Scotland
- Fellow of the Chartered Institute of Logistics and Transport

Neil Scales OBE

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Professional standards committee
- Strategy group
- Portfolio allocations: North East area

Appointments outside BTPA:

- Merseytravel: Chief Executive and Director General
-

Wendy Towers

Member with knowledge and experience of passenger interests in England

BTPA responsibilities:

- Police Authority
- Professional Standards committee: Chairman
- Finance group
- Portfolio allocations: London Underground & DLR area

Appointments outside BTPA:

- Security Industry Authority: Board member
-

Jeroen Weimar

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit committee
- Strategy group
- Finance group
- Portfolio allocations: ACC (Territorial Policing)

Appointments outside BTPA:

- Serco UK: Managing Director, Transport
 - Northern Rail: non-executive Director
 - Merseyrail Electrics: non-executive Director
 - Association of Train Operating Companies: Board member
-

Christine Knights

Member with knowledge and experience of passenger interests

Term expired 30 June 2010

BTPA responsibilities:

- Police Authority
- Audit committee
- Strategy group
- Portfolio allocations: North East area

Appointments outside BTPA:

- Passenger Focus: Board member
- Westminster Foundation for Democracy: Board member

Suzanne May OBE

Member with knowledge and experience of passenger interests

Term expired 30 June 2010

BTPA responsibilities:

- Police Authority
- Audit committee
- Portfolio allocations: London Underground

Appointments outside BTPA:

- Mayday Management Services: Company Secretary

Executive Team

The British Transport Police Authority has an Executive team of nine led by Andrew Figgures, Chief Executive, who is the principal advisor to the Authority and leads and directs the Authority staff to ensure the Authority achieves its objectives.

Elizabeth Pike serves on the team as Authority Finance Director, who provides independent financial advice to the Authority in all aspects of its activity, including the strategic planning and policy making process, as well as on budgetary matters. The Authority Finance Director works closely with BTP's Director of Finance and Corporate Services to ensure that the financial affairs of the Authority and the Force are properly administered and financial regulations are observed and kept up to date.

BTPA's year in review

Performance

Policing plan 2010-11 national targets

TARGET	2010-11	2009-10
1. Reduce overall notifiable crime from the 2009/10 level	- 3%	- 7.3%
2. Respond to at least 80% of immediate incidents within 20 minutes	91%	n/a
3. Increase the number of detections for staff assault offences from the 2009/10 level	- 0.4%	n/a
4. Reduce the number of serious violence against the person, sexual and robbery offences from the 2009/10 level	- 4%	n/a
5. Increase the number of offenders detected for anti-social behaviour offences committed between 8pm and 2am by at least 20%	27%	n/a
6. Increase the number of offenders detected for football related disorder offences by at least 25%	40%	49%
7. Increase the proportion of offences brought to justice for serious violence against the person, sexual and robbery offences to at least 40%	31%	n/a
8. Reduce the number of live cable related offences from the 2009-10 level	64%	- 26%
9. Increase safety at 36 high risk level crossings in partnership with Network Rail	Achieved	n/a
10. All non-suspicious fatalities to be cleared within an average of 90 minutes	81 minutes	81 minutes
11. Overall victim satisfaction rate to be at least 80%	86%	87%
12. Improve the representation level of female police officers. Maintain the representation level of BME police officers	6.9%	6.6%
13. Sickness absence to be less than an average of 7.7 days per employee	7.68 days	7.73 days

Comparisons have been given where the national targets reported for both 2009-10 and 2010-11.

Cable theft

One of the greatest challenges facing BTP today is cable theft. Copper prices have increased dramatically in recent years and, in parallel, incidents of cable theft have soared. Very often, the stolen cable is sold on as scrap. Live offences on the railway increased 40 percent in 2010-11, causing significant disruption to the network. So long as copper prices continue to rise, cable theft will continue to be a major challenge for BTP and the rail industry.

Disruption target

Through our stakeholder consultation activity in 2010-11 'reducing disruption' has emerged as a new priority for our industry partners and as a result has become a priority theme in both our 2011-14 Strategic Plan and 2011-12 Policing Plan. The Force and Authority have committed to work with partners over the next three years to identify opportunities for reducing disruption on the rail network in which BTP can play a meaningful role. In 2011-12 BTP will be working to reduce the overall number of offences and incidents that can lead to disruption including trespass, cable theft and criminal damage. During 2011 the Force will also be completing a pilot in its London South Area to identify ways in which BTP can respond more efficiently and make a contribution to reducing overall disruption arising from on-train incidents.

Activities

Consultations

In the course of its business in 2010-11, BTPA consulted a wide range of stakeholders, including Network Rail, Transport for London, Passenger Focus, the Train and Freight Operating Companies with which it holds a Police Service Agreement and the Association of Train Operating Companies. These consultations were conducted both in writing and in person.

In addition, BTPA held the following events to consult its stakeholders on particular issues:

- **Policing plan workshop**, 28 September 2010
- **Reducing disruption workshop**, 14 February 2011

Independent custody visits

Independent custody visitor panels comprise of volunteers who visit police custody facilities, usually in pairs, on a weekly or monthly basis depending on the size of the facility. Visits are, as far as possible, random and unannounced with the volunteers speaking with those being held in police custody to ensure their welfare needs are being met, as well as inspecting the conditions in which detainees are being held. Volunteers then report back to both BTP and BTPA with any recommendations. Visits have been made over the past year to BTP facilities in London and Manchester.

Staff changes

A number of senior staffing changes were made at British Transport Police and its Police Authority in 2010-11:

BTPA Members

On 1 July 2010, Transport Minister Theresa Villiers announced the appointment of Elizabeth France CBE. Three current members – Lew Adams OBE, Robin Gisby and Jeroen Weimar – were also reappointed to the Police Authority.

Two longstanding Police Authority members, Christine Knights and Suzanne May OBE, came to the end of their terms on 30 June 2010. Both had served as members with knowledge of passenger interests since BTPA was established in 2004.

BTPA Executive

Andrew Figgures CB CBE was appointed Chief Executive of the Police Authority in April 2010, following a distinguished career with the Ministry of Defence that included service in Bosnia-Herzegovina and Iraq.

In a change of responsibilities, Andrew took over the responsibilities of Principal Accounting Officer to BTPA from the Chief Constable, who was made Additional Accounting Officer.

BTP senior officers

In June 2010, BTPA appointed Paul Beasley as a new Assistant Chief Constable for BTP. He joined BTP from Her Majesty's Inspectorate of Constabulary and filled the vacancy created when Paul Crowther was appointed BTP's Deputy Chief Constable last year.

Linda Scott, HR Director, left BTP in March 2011.

Budget reduction

In December 2010, BTPA set the police force's 2011-12 budget at 2.5% less than the previous year in actual terms.

The intention is to maintain this budget for the following year, 2012-13, when the police force will have a significant operational role during the Olympic Games.

Chief Executive's Report

Accounting Officer role

I became the Principal Accounting Officer for BTPA on 12 April 2010. This was a change, since the role of Accounting Officer had been discharged by the Chief Constable from the foundation of BTPA in 2004.

The original arrangement was suitable whilst the Police Authority established itself, but circumstances have since changed. The Accounting Officer is responsible for overseeing BTPA's responsibilities, which include developing a strategy, setting a budget, applying a charging model, recovering costs from the rail industry and monitoring British Transport Police's operational activities. It was increasingly seen as inappropriate for the Chief Constable to fulfil this role – in effect, being accountable for the work of his own governance body.

The Department for Transport therefore appointed me Principal Accounting Officer with effect from 12 April 2010, on the understanding that I appoint the Chief Constable as an additional Accounting Officer. These new arrangements have had no effect on the Chief Constable's policing responsibilities.

Employees and employee matters

Engaging Police Staff

In July 2010 BTP concluded *Engaging Police Staff* ("EPS"), a project to ensure equality between similar job roles across the force.

The first stage of the project was to review the roles and responsibilities of police staff at BTP and to grade them according to a new remuneration scale. Staff were then offered new contracts, the content of which was produced in consultation with the Transport Salaried Staffs' Association, with an initial deadline of 2 July to accept. Take-up was entirely voluntary. By year end, 89% of police staff had switched to the new contract.

At BTPA, following a reorganisation of the Executive team, all staff adopted EPS contracts in October 2010.

Engagement with employees

The following staff associations operate in BTP:

- British Transport Police Federation
- Superintendents Association
- Transport Salaried Staff Association (TSSA)

The following support groups operate in BTP:

- Association of Muslim Police
- Christian Police Association
- Disability Equality Support Association (DESA)
- LINK, the Lesbian, Gay, Bisexual and Transgender Support Network.
- Support Association for Minority Ethnic staff (SAME)
- Women's Support Forum

Employees also have access to the National Jewish Police Association.

Union recognition

BTP signed a voluntary agreement of recognition with the TSSA in September 2010, meaning all police staff can be represented by the union. The collective bargaining agreement means that TSSA will be able to recruit amongst BTP staff to represent their interests in negotiations and consultations.

Staffing Plans

BTP's staffing plans for 2011-12 have been developed around six key areas:

- **Greater efficiency:** by increasing HR advisors knowledge and reducing time taken to answer queries, we will embed the new HR Business Centre and Business Support;
- **Learning and Development training** following the successful launch of the new Learning & Development Training Centre;
- **Improve officer recruitment and assessment** by reducing trainee drop out rate and increasing the job effectiveness of new recruits;
- **Deliver the new staff pay and grading structure** with a voluntary compliance rate of at least 90%;
- **Identify all roles within BTP** by completing the Establishment Project; and
- **Increase BTP's leadership capability** through the Leadership Development Programme.

Sickness

A high level of attendance from officers and staff is essential to BTP's service. The 2010-11 Policing Plan set a target of less than 7.7 days of sickness absence per employee. The results were as follows:

	2010-11	2009-10
Police officers	7.9	7.6
Police staff	7.0	7.4
Community Support Officers	8.7	10.3
Overall	7.7	7.7

The tightening and development of sickness management processes and policies continued through 2010-11. The slight increase in police officer absence was linked to a spike in December, at a time of unusually harsh winter weather. Community Support Officer absence overall has decreased in line with heightened scrutiny of absence reasons and improved management of long-term absence cases.

A fresh approach to doing business

Business cycle

2010-11 was the first full year of BTPA's new business cycle, established to ensure the Police Authority maintains focus on key work streams in a timely and efficient way.

The Authority now meets eight times a year. There are four Authority meetings where there is both a fixed agenda and specific annual decisions and approvals are required.

Standard decisions to be made through the year include:

- **September:** Approve a rolling three year strategy
- **December:** Approve a policing plan and a budget
- **May:** Final review of BTP and Authority performance, sign off of annual report

Communications strategy

The reporting period was the first full year of BTPA's communications strategy, designed to better engage the Police Authority's stakeholders. These were grouped into six broad groups:

- Police Service Agreement holders;
- Rail passengers, national and regional passenger representative groups;
- Police and rail staff, and their representatives;
- 'Rail UK' (e.g. Department for Transport, Office for Rail Regulation and the Rail Accident Investigation Branch);
- 'Policing UK' (e.g. ACPO, APA, HMIC);
- Governments in Westminster, Scotland and Wales;

These stakeholders were consulted during preparations for the 2011-14 Strategic Plan and the 2011-12 Policing Plan, which were both published during the reporting period. Rail company representatives were additionally invited to participate in a stakeholder workshop in September 2010, in which they had the opportunity to discuss issues relating to policing for their services.

HMIC inspection, value for money

In 2010-11 the Police Authority commissioned two pieces of work to establish a set of benchmarking data and obtain an initial assessment of BTP's performance compared

with all Home Office forces. The first of these, the HMIC report card inspection, reviewed BTP's operational performance in four domains including local policing and value for money.

The second, the CIPFA Police Objective Analysis (POA) sought to benchmark BTP's performance in terms of overall levels of resource deployment and relative spend against a range of operational and organisational activities. Both exercises established that overall BTP is performing well and has improved significantly in the period since 2005-06; in addition to recommending that BTP's protocol for managing disruption be shared externally as good practice, these exercises have also helped us to identify areas for improvement which have in turn informed the objectives within the 2011-14 strategic plan and the 2011-12 policing plan.

2011-14 Strategic plan

This reporting period also saw the production of BTP's new strategy, covering the three years to 2014. The strategy has been defined around four key objectives:

1. Helping to keep rail transport systems running;
2. Helping to make rail transport systems safer;
3. Providing value for money through continuous improvement; and
4. Promoting confidence in the use of rail transport systems.

As part of plans to deliver the first objective, BTP launched a pilot scheme in its London South area to explore ways of reducing the police impact on rail services. BTPA's intention is to review all its objectives every year to 2014, so that its approach remains consistent. Further information on this pilot scheme can be found in section three, the year in review.

Finance Director's report

Pension arrangements

BTP has adopted IAS 19 (Employee 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 25 and 26 to the accounts). The accounting policy for pensions is disclosed in Note 1.21 to the Accounts.

Going concern

The opening financial position as at 1 April 2010 shows net pension liabilities of £469.0m. This is owing to full implementation of International Accounting Standard 19 Employee Benefits (previously Financial Reporting Standard 17), requiring the costs and benefits of pension schemes relevant to the BTPA to be reflected in the statement of accounts.

The net liability of the scheme on 31 March 2011 was £203.3m, a decrease of £265.7m in the year. This decrease is caused by gains on the schemes investments of £289.6m and reduced liabilities principally from a reduction in both the discount rate and future wage inflation. This liability is accounted for as a negative pension reserve. The Department for Transport, as BTPA's sponsoring department, has agreed to underwrite any pension shortfalls.

BTPA is confident that sufficient resources are available (from Police Service Agreements ("PSAs"), from service income and from grants from the DfT) to meet its approved expenditure needs because of the agreement with the DfT. Accordingly it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Creditor payments

BTP observes the principles of the Department of Business, Innovation & Skills (BIS) "Prompt Payment" guidance 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. Copies of the guidance are available from BIS. The BTPA uses the Government Procurement Card for small low risk payments. These are paid immediately to the supplier and are not included in the statistics above.

BTP had agreed a performance target for 2010-11 of 90% of invoices paid within 30 days of receipt of invoice; in 2010-11 performance was 90% (2009-10 73%).

Judicial Review

From April 2007 a new charging model was introduced by BTPA with the aim of complying with the requirement to balance its costs and revenues to the PSA holders both in aggregate and to make an equitable charge in respect of individual users. All charges were calculated based on the new charging model. The introduction of the new charging model was challenged by two PSA holders through a Judicial Review (“JR”). Prior to the JR, one PSA holder invoked an arbitration process, this began in January 2007 and was held in abeyance pending the results of the JR.

The judgement in the JR was issued on 20 March 2009. It found in favour of the challenge and ruled that the new model could not be imposed on ‘old’ PSA holders. The only way that ‘old’ style PSA holders can be charged on a new charging model is by terminating the old PSA’s and entering into a new PSA. The result was that for those PSA Holders on the “old PSA’s”, the charges for 2007-08 and 2008-09 and future years (until existing agreements come to the end of their term on 31 March 2013) could not be calculated according to the new model and the formula which operated previously had to be applied in their case. “Old PSA” holders that were charged in 2007-08 and 2008-09 according to the new model had their charges recalculated according to their “old PSA”. As a result, some were entitled to refunds, because their revised charge is less than the original amount billed, and some were required to pay more, because the revised charge is more than the amount originally billed. The result of the Judicial Review into core PSAs and the accounts for 2008-09 reflected the impact of the review in so far as it affected core PSA charges up to 31 March 2009. The ongoing impact of the judgment has been reflected in the 2010-11 accounts.

There is a formal agreement in place with the DfT which provides for cover for the cash flow shortfalls and to meet any structural gaps arising from two different charging models to recover the total costs of the Authority. Any irrecoverable debt and any other authorised payments made to PSA holders arising directly, or indirectly, from the JR is also covered by this agreement. In 2010-11 the structural gap between the PSA income derived from the two charging mechanisms and the costs to be recharged totalled £2,528k and has been met by the DfT.

During 2010-11 all balances relating to the JR have now been satisfactorily settled. A dispute with Arriva Trains Wales relating to their core PSA charges resulted in a potential arbitration; negotiations were concluded during the year and have been satisfactorily resolved. The arbitration was withdrawn in March 2011.

Auditors

The accounts of the Fund are audited by the Comptroller and Auditor General (C&AG) under the Railways and Transport Safety Act (2003). The cost of the audit is £110,000. The C&AG does not undertake any non audit work for the BTPA.

As far as the Chief Executive, as Accounting Officer for the BTPA, and the Finance Director are aware, all relevant audit information has been made available to the

auditors. The Chief Executive 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.

Post-statement additions

On 1 April 2011 an agreement was reached with a PSA holder which reduced their charges by £3,696k. This arose directly from the Judicial Review process and a previous mediation. On 31 March 2011 the DfT approved the conversion of this amount from loan to financing. This has been treated as an adjusting event after the reporting period and has therefore been fully reflected in these financial statements.

The date the accounts are authorised for issue is the date that they are certified by the Comptroller and Auditor General.

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, cash flows and taxpayers equity for the financial year.

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

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

The Accounting Officer of the Department has designated the Chief Executive as the Principal Accounting Officer of the BTPA from 12 April 2010. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the BTPA's assets, are set out in the HM Treasury publication Managing Public Money.

The Chief Constable has been appointed as an additional Accounting Officer.

Management commentary

Principal activities

The British Transport Police Authority (BTPA) is the governing body for British Transport Police, responsible for overseeing the provision of an efficient and effective police service for the country's rail network. It is an executive non-department public body of the Department for Transport, established on 1 July 2004 under the Railways and Transport Safety Act 2003.

BTPA's other main statutory duty is to consult widely to ensure that the railway community – train operators, their staff, and their passengers – receive the best possible value from British Transport Police.

BTPA also works closely with the Scottish Parliament, where policing and the ScotRail franchise are devolved, and the Welsh Assembly, which has oversight over some rail issues in Wales. The Police Authority's membership includes a member each for Scotland and Wales: these posts are appointed jointly with the devolved administrations and held by individuals with knowledge of rail passenger interests in their respective nations.

British Transport Police is the national police force for the country's rail network. It is responsible for policing the infrastructure maintained by Network Rail, and the trains and stations of 38 passenger and freight companies operating mainline rail services. It also provides a policing service to:

- **Transport for London services:** London Underground, Docklands Light Railway, Croydon Tramlink;
- **High Speed 1;**
- **Tyne and Wear Metro** services in the northeast of England;
- **Midland Metro** services in and around Birmingham.

Together, these rail businesses provide a transport service to some five million people every day.

The rail network is a potential target for terrorist activity. The British Transport Police must therefore have an effective counter-terrorist capability which it continues to develop to match the threat. The police force has additionally developed significant expertise in dealing with organised events, providing a well co-ordinated national service for the controlled movement of large numbers of people across the network to attend major sporting and other events. BTP is also working to protect railway infrastructure, in particular the theft of line side metals, which has increased over the last year.

Key Performance Indicators

The Police Authority sets objectives for policing before the beginning of each financial year in a National Policing Plan. These objectives serve as the Police Authority's key performance indicators. Performance against the 2010-11 targets is included on pages 11 to 12.

Review of activities

A review of the reporting period for British Transport Police Authority and the police force can be found in, "BTPA's year in review", from page 11.

Financial position

The net surplus for the year was £95.5m, £93.2m of which relates to a IAS19 pensions accounting adjustment and (£0.2m) relates to other IAS 19 employee benefit adjustments. Once the structural gap of £2.5m funded by the DfT is included the operating surplus is £5.0m. Approval was given for £3.0m of the under spend to be used to reduce the charges for the PSA holders in 2011-12.

BTPA is confident that sufficient resources are available (from Police Service Agreements ("PSAs"), from service income and from grants from the DfT) to meet its approved expenditure needs because of the agreement with the DfT. Accordingly it is considered appropriate to adopt a going concern basis for the preparation of these financial statements. Further details are contained with the Finance Directors Report on page 18.

Auditors

The accounts of the BTPA are audited by the Comptroller and Auditor General (C&AG) under the Railways and Transport Safety Act (2003). The cost of the audit is £110,000. The C&AG does not undertake any non audit work for the BTPA.

Resource availability

The staff costs and details on the average number of persons employed is set out in note 4 to the accounts. The sickness absence data is set out on page 15 in Chief Executive's report.

Future developments in the rail and policing worlds

The review by transport industry expert Sir Roy McNulty into value for money on the railways, commissioned by the Department for Transport, reported back at the end of May 2011. The review may influence a restructuring of Britain's railway infrastructure and the manner in which rail franchises are put out to tender. These recommendations may in turn lead to a parliamentary bill later in 2011. Any significant change to the structure of the rail industry which has implications for British Transport Police will be assessed and acted upon as appropriate.

2011-12 is set to be an eventful year for policing. Tom Winsor's recommendations on police pay and conditions and Peter Neyroud's review into police leadership and training, both of which reported back around the time of this report's publication, will have implications for the policing environment in England and Wales. In the coming months BTPA will monitor the Home Office's response to these reports and take a decision over whether to reflect the measures within British Transport Police.

In addition, the Police Reform and Social Responsibility bill, which was being debated in the House of Lords at the time of publication, would bring a series of changes to police service if passed into law. In particular, police authorities would be abolished and replaced with elected police and crime commissioners. Although the bill's provisions do not apply to BTPA directly, they would create a new policing impact. BTPA will closely follow the bill's progress, and the outcome of the above-mentioned Home Office reviews.

Research and development activities

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

Some notable examples include:

- Regular strategic reviews of the external environment in which BTP will be operating in the short and medium term to provide a guide and reference tool for its decision makers;
- Consultation with passengers, victims of crime, rail staff and other stakeholders to ensure that their views are taken into account when setting targets and priorities;
- Identification and sharing of best practice with other police forces and organisations to improve processes and ways of working;
- Use of cutting edge mobile data technology to increase time spent by officers on core policing duties;
- Regular analysis of intelligence and other information to optimise use of resources.

Environmental matters

As part of BTP's environment strategy, British Transport Police worked during 2010-11 to:

- ensure all of our new works and projects met legislative requirements;
- design energy efficiency into our new buildings, equipment and services;
- reduce material consumption in our operations;
- reuse rather dispose of, whenever possible;
- promote recycling and the use of the recycled materials within the organisation.

For the coming year, BTP has developed its base position and is meeting a new range of reporting data relating to energy and water consumption, waste disposal and recycling.

Pension arrangements

BTPA's pension arrangements for 2010-11 are covered in the Finance Director's Report on page 18.

Employees

The average number of employees and details of employment costs are set out in note 4 to the accounts. BTPA's policies on employees and the extent to which they have been implemented can be found in the Chief Executive's report, page 14.

Personal data related incidents

There were no incidents relating to personal data at BTPA in 2010-11.

At BTP, the security issue in relation to the release of personal data reported last year resulted in a PSD investigation which has now been concluded and appropriate action taken. No systemic failures of internal control were identified as part of the investigation. During 2010-11 a review was carried out to track the disposal of disks containing staff information which were no longer required after the move to the HR Business Centre in Birmingham. Some gaps were identified in the methodology used and measures have been taken to improve and implement new policy and procedures.

Estates

British Transport Police Authority does not hold extensive estates. The majority of its property is leased from Network Rail.

A.C. Figgures
Accounting Officer
Date 7 July 2011

Remuneration Report

Remuneration Policy

The Remuneration Policy for Authority Members is defined by the Department for Transport. In 2010-11 the remuneration policy for senior officers of the Authority and Force, with the exception of the Chief Officer group, was approved by the full Authority and was in line with the guidelines of the Police Negotiating Board. The Chief Officer group appointment was made by the Chief Constable Appraisal Board. From 26 May 2011 the Terms of Reference of the Chief Constable Appraisal Panel have been amended so it has become a Remuneration Committee.

Members and Senior Officers – Appointments and Service Contracts

The Authority must contain representation from various groups as set out in the Railways and Transport Safety 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 Authority are appointed by the Secretary of State for Transport, with the intention that the Authority represents and is informed of the views and interests of these groups.

Accordingly the current composition of the Authority is as follows:

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

The table below provides details of appointment and service contracts for Authority Members and Senior Officers for 2010-11.

Appointment/Service Contracts

Members	Commencement of Contract	Term expiry date as at 31 March 2011	Notice period required	Main role
Urmila Banerjee CBE	01/12/2008	30/11/2012	3 months	Chairman
Sir David O'Dowd CBE, OSTJ, QPM, DL, DipSoc, BA, MSc, DSc(Hon), CCMI	01/07/2004 (last renewed 01/07/2007)	30/06/2011	3 months	Deputy Chairman
Lew Adams OBE	01/07/2004 (last renewed 01/07/2010)	30/06/2014	3 months	Employee Matters
Howard Collins	01/09/2009	31/08/2013	3 months	Knowledge of Industry
Ian Dobbs	12/02/2008	31/01/2012	3 months	Knowledge of Industry
Colin Foxall CBE	04/01/2005 (last renewed 01/07/2009)	03/01/2013	3 months	Passenger Interests & Wales
Elizabeth France CBE	01/07/2010	30/06/2014	3 months	Passenger Interests
Robin Gisby	01/07/2004 (last renewed 01/07/2010)	30/06/2011	3 months	Knowledge of Industry
Michael Holden	01/07/2004 (last renewed 01/07/2008)	30/06/2012	3 months	Knowledge of Industry
James King	01/07/2004 (last renewed 01/07/2008)	30/06/2012	3 months	Passenger Interests and Scotland
Christine Knights	01/07/2006	30/06/2010	3 months	Passenger Interests
Suzanne May OBE	01/07/2006	30/06/2010	3 months	Passenger Interests
Neil Scales OBE	01/09/2009	31/08/2013	3 months	Knowledge of Industry
Wendy Towers	01/07/2004 (last renewed 01/07/2008)	30/06/2012	3 months	Passenger Interests and England
Jeroen Weimar	01/07/2006 (last renewed 01/07/2010)	30/06/2014	3 months	Knowledge of Industry

Members do not receive termination payments when they leave the Authority.

Appointment/Service Contracts *(continued)*

Authority Officers	Commencement of Contract	Term expiry date as at 31 March 2011	Notice period required	Main role
Andrew Figgures	29/03/2010	Permanent Appointment	3 months	Chief Executive
Paul Coen	19/10/2009	23/04/2010	1 month	Interim Chief Executive & Clerk
Elizabeth Pike	01/06/2004	Permanent Appointment	6 months	Authority Finance Director
Strategic Command Team				
Andrew Trotter	01/09/2009	31/08/2014	6 months	Chief Constable
Paul Crowther	01/07/2009	Permanent appointment	6 months	Deputy Chief Constable
Paul Beasley	02/08/2010	Permanent Appointment	3 months	ACC (Protective Services)
Miles Flood	15/03/2010	30/07/2010	1 month	Acting ACC (Protective Services)
Alan Pacey	09/01/2006	Permanent appointment	3 months	ACC (Territorial Policing)
Stephen Thomas	01/07/2007	Permanent appointment	3 months	ACC (Operations)
David McCall	08/03/2004	Permanent appointment	3 months	Assistant Chief Constable – Scotland
Linda Scott	16/01/2006	31/03/2011	3 months	Director, HR
Teresa Hickman	19/08/2010	Temporary appointment	3 months	Acting Director, HR
Sharon Burd	01/01/2008	Permanent Appointment	3 months	Director, Finance & Corporate Services
Andrew Clarke	20/04/2010	01/04/2011	1 month	Acting Director, Finance & Corporate Services

Remuneration of Members and Senior Officers

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

The general factors taken into consideration are:

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

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

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

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

The salary of Members and Senior Officers (Audited)

	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Salary	Bonus Payments	Benefits in kind (to nearest £100)
Members	£000s	£000s	£	£000s	£000s	£
Urmila Banerjee	30-35	-	-	30-35	-	-
Sir David O'Dowd	25-30	-	-	25-30	-	-
Lew Adams	15-20	-	-	15-20	-	-
Howard Collins	15-20	-	-	5-10#	-	-
Ian Dobbs	30-35 See below	-	-	115-120	-	-
Colin Foxall	15-20	-	-	15-20	-	-
Elizabeth France	10-15#	-	-	-	-	-
Robin Gisby *	-	-	-	-	-	-
Michael Holden	15-20	-	-	15-20	-	-
James King	15-20	-	-	15-20	-	-
Christine Knights	0-5#	-	-	15-20	-	-
Suzanne May	0-5#	-	-	15-20	-	-
Neil Scales	15-20	-	-	5-10#	-	-
Wendy Towers	15-20	-	-	15-20	-	-
Jeroen Weimar*	-	-	-	-	-	-
* No salary taken # Full year equivalent 15-20						
Authority Officers						
Paul Coen	-	-	-	-	-	-
Andrew Figgures	95-100	-	2,300	-	-	-
Elizabeth Pike	85-90	-	11,300	90-95	-	3,500
Strategic Command Team						
Andrew Trotter	165-170	-	28,800	170-175	10-15	9,600
Paul Crowther	135-140	-	15,700	130-135	-	11,200
Paul Beasley	60-65	-	6,100	-	-	-
Miles Flood	80-85	-	13,800	90-95	0-5	2,500
Alan Pacey	100-105	-	21,300	115-120	-	4,600
David McCall	90-95	-	25,200	105-110	5-10	10,000
Stephen Thomas	100-105	-	18,800	130-135	5-10	6,000
Linda Scott	115-120	-	12,300	120-125	0-5	2,800
Teresa Hickman	75-80	0-5	6,300	60-65	-	-
Sharon Burd	90-95	-	11,200	120-125	5-10	3,100
Andrew Clarke	-	-	-	-	-	-

Ian Dobbs was also employed as a consultant by the Authority and was paid £15,392 for post Judicial Review work. These fees were paid to RC&M Services (UK) Ltd. In total £34,122 was paid to RC&M Services during 2010-11 (2009-10 £119,777). This includes £18,730 for services as a member of the Authority.

Paul Coen's services were obtained through a contractor, Gatenby Sanderson. The cost for 2010-11 was £22,912 (2009-10 £137,265).

Andrew Clarke's services were obtained through a contractor, CIPFA Business Limited. The cost for 2010-11 was £211,183.

Salary

Salary includes reference salary, 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. Expenses are not included as they are reimbursed on production of a valid receipt. Under the Authority's salary sacrifice scheme employee pension contributions are paid by the employer and the employee's salary is reduced by the pension payment. The pension contribution paid by the employer for the employee is shown as a benefit in kind.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. The benefits in kind received are healthcare, the use of a vehicle and other travel benefits. The amount paid by the employer under the pension salary sacrifice scheme is shown as a benefit in kind.

The Authority operates a pension salary sacrifice scheme whereby the employee agrees to the employer paying their pension contribution and in return receives a salary reduced by the amount of the contribution.

Performance Pay

In accordance with the guidelines of the Police Negotiating Board, a performance management regime has been implemented, where objectives for the Strategic Command Team are agreed by the Authority. The performance development reviews are initiated at the year end by the Chief Constable for the Strategic Command Team and the Chief Executive for the Authority's Executive. These are assessed by the Chief Officer Appraisal Panel in accordance with the guidance contained in the PNB circular as modified to the particular circumstances of BTPA. Any bonus paid is based on this assessment.

As at 31 March 2011 no decision had been made on bonuses for 2010-11.

Pension Benefits

Railways Pension Scheme – for Authority Officers and Support Staff

Pension benefits are provided for BTPA and BTP staff 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 final average pay (less 1/40th of the final average basic state pension) for each year of pensionable service. In addition, a lump sum equivalent to 1/40th of pensionable pay for each year of service is payable on retirement. Members currently pay contributions of 10.06 per cent of pensionable earnings (less 1.5 times the basic State Pension). Pensions in payment and deferment are increased in line with Orders made under the Pensions (Increase) Act 1971.

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 death 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.

British Transport Police Force Superannuation Fund – for Police Officers

Pension benefits are provided for Police Officers through the British Transport Police Force Superannuation Fund. This is a registered pension scheme and intended to be a fully funded scheme which provides benefits on a “final salary” basis. There are two benefit structures in place for members who joined the Fund before and after 1 April 2007.

For Fund members before 1 April 2007 the normal retirement age is 55. Benefits accrue at the rate of 1/45th of final average salary (less 1/30th of final average state flat rate pension) for each year of beneficial membership. In addition, a lump sum equivalent to 1/30th of pensionable salary for each year of beneficial membership is payable on retirement. Members currently pay contributions of 16 per cent of pensionable earnings (less 1.5 times the basic State Pension). Pensions in payment and deferment are increased in line with orders made under the Pensions (Increase) Act 1971.

For Fund members who joined on or after 1 April 2007 the normal retirement age for retirement from service is 55 and for retirement from deferment it is 65. Benefits accrue at the rate of 1/70th of final average salary for each year of service. In addition, a lump sum equivalent to 4/70th of pensionable salary for each year of service is payable on retirement. Members currently pay contributions of 10 per cent of pensionable earnings. Pensions in payment and deferment are increased in line with orders made under the Pensions (Increase) Act 1971.

On death, pensions are payable to the surviving spouse or eligible dependant at the rate of half the member's pension and pensions are available for the member's two youngest children. Survivors' pensions may not be payable in respect of members who joined after 1 April 2007 if they have less than two years' service. On death in service the scheme pays a lump sum death benefit of 4 times pensionable salary 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 incapacity. In this case, pensions are brought into payment immediately without actuarial reduction. If the member is unable to work in any capacity (not only as a police officer) they may be granted an enhanced pension at the Trustee's discretion.

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 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.

Pension Benefits (audited)

Officials	Accrued pension at pension age as at 31/03/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/11	CETV at 31/03/10	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Authority Officers					
Paul Coen	-	-	-	-	-
Andrew Figgures	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	n/a	n/a	n/a
Elizabeth Pike	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	46	30	16
Strategic Command Team					
Andrew Trotter	15-20 plus lump sum of 10-15	2.5-5 plus lump sum of 0-2.5	n/a	n/a	n/a
Paul Crowther	85-90 plus lump sum of 60-65	22.5-25 plus lump sum of 2.5-5	1,641	1,138	503
Paul Beasley	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	11	0	11
Miles Flood	40-45 plus lump sum of 50-55	2.5-5 plus lump sum of 2.5-5	659	571	88
Alan Pacey	65-70 plus lump sum of 60-65	5-7.5 plus lump sum of 2.5-5	1,547	1,270	277
David McCall	15-20 plus lump sum of 10-15	0-2.5 plus lump sum of 0-2.5	n/a	n/a	n/a
Stephen Thomas	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of 5-7.5	71	47	24
Linda Scott	Retired	Retired	Retired	Retired	Retired
Teresa Hickman	10-15 plus lump sum of 15-20	0-2.5 plus lump sum of 0-2.5	86	65	21
Sharon Burd	5-10 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	86	59	27
Andrew Clarke	-	-	-	-	-

Compensation for Loss of Office (audited)

Linda Scott left BTP on 31 March 2011 and received a termination payment of £98k.

There were no compulsory redundancies in the period. 11 officers left under the terms of a Voluntary Severance Scheme on 31 March 2011. They received a compensation payments totalling £902,747.

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000-£25,000	-	-	-
£25,000-£50,000	-	-	-
£50,000-£100,000	-	9	9
£100,000-£150,000	-	2	2
Total number of exit packages	-	11	11
Total costs	-	£902,747	£902,747

The 11 Senior Officer departures have been made in accordance with BTP's Voluntary Severance Scheme agreed on 23 December 2010. The scheme is a one off voluntary selective severance scheme for Police Officers at the rank of Chief Inspector, Superintendent, and Chief Superintendent employed by BTP on a permanent basis. The benefits of the voluntary scheme did not exceed the Civil Service Compensation Scheme, and made no enhancements to pensions arrangements. The Authority has obtained Treasury approval for any severance payments over and above the statutory minimum.

A.C Figures**Accounting Officer**

Date 7 July 2011

Statement on Internal Control 2010-11

Scope of Responsibility

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

The Chief Constable has been appointed as an Additional Accounting Officer with particular responsibility for the budget, transactions and associated matters relating to BTP's financial management, policies, aims and objectives.

The BTPA Chair and I, as Chief Executive of the BTPA, meet with the ministerial team at the Department for Transport on a regular basis to discuss relevant issues of policy and strategy. The Chief Constable also meets with the Secretary of State and his team on a regular basis.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the BTPA and BTP policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically. During the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts, the system of internal control has been developed and improved whenever necessary and accords with Treasury guidance.

Capacity to handle risk

The BTPA and all BTP's Chief Officers and senior managers recognise that the responsibility for risk management and internal control should be driven from the top.

BTP has a Corporate Risk Team, headed by a professional Head of Risk Management and supported by a Risk Management Coordinator. In addition, each Chief Officer and Area Commander has a Risk Champion and Representative to act as the single point of contact in their portfolio or Area on risk management matters and to manage the risk management process including the maintenance of Area or Departmental risk registers.

Business risks are managed through a corporate assurance structure which allows escalation or transfer of risks to the appropriate area, portfolio, corporate or strategic risk register in accordance with a consistent methodology.

Specialist areas such as health and safety, information technology and project management have dedicated Boards which include provision for risk reporting. In addition, reviews are held with the Corporate Risk Team, to ensure that any relevant risks are reported and reviewed at the corporate level.

The Professional Standards Department undertake reviews of internal compliance and conduct, with any weaknesses identified being highlighted and appropriate action taken.

Good practice and areas for improvement in risk management are promulgated through the Corporate Assurance Group (CAG) and Risk Committee (RC) programme, through risk champions and risk representatives, and through the Senior Management Team (SMT) of the BTPA.

Lessons learned from internal control and conduct matters are reported to BTP's SCT meetings and published on its Intranet. They are also reported to the BTPA Professional Standards Committee, the Independent Police Complaints Commission (IPCC) and the ACPO Professional Standards Working Party as appropriate.

A new Debrief SOP (191/2010) published in August 2010 includes the need to learn lessons from operational matters including major events, major incidents, business continuity invocations and critical incidents.

Changes in Risk Environment:

Significant changes in the risk environment during 2010-11 included the change of Government, the economic climate, the impact of the Comprehensive Spending Review on the public sector generally and on BTP's Home Office (HO) and Scottish police force counterparts in particular, Police Service Agreement (PSA) holders and the travelling public as well as a resurgent threat of terrorism from domestic as well as international sources.

Comprehensive Spending Review (CSR)

The outcome of the CSR was announced on 20 October 2010 by the Chancellor of the Exchequer. Although BTPA is funded by the rail industry and not currently directly affected by the announcements, it is clear that the outcome of the CSR will have an indirect impact on BTPA.

CSR Home Office

The effect of the CSR on the Home Office is an average 23% reduction in resources spending to be achieved over the next four years, with a capital reduction of an average of 49%. Although there is limited scope for police forces to increase the

council tax precept reducing the deficit, it is clear that this will not close the gap completely. BTP relies on support from HO and Scottish police forces in a number of respects, not least in terms of custody provision in parts of the country where BTP does not have its own facilities. Any reduction in resources for HO and Scottish forces will have an obvious impact on their ability to assist BTP.

The Home Secretary has announced a review of police pay and conditions which will conclude in 2011. Although BTP is not compelled to follow Home Office police pay and conditions, historically it has accepted the agreements made by the Police Negotiating Board (PNB).

CSR Department for Transport, Network Rail and Train Operating Companies

The Government has agreed that Network Rail should deliver an additional £185m of efficiency savings on top of those identified by the Office of Rail Regulation to be achieved in the current control period. A value for money study (the McNulty Review) on the affordability of the UK rail network has been announced. Any changes that result, including changes to the length of franchises, will clearly have an impact on BTP's stakeholders, particularly the train operating companies.

Terrorism

During 2010, the national threat level of terrorism against the United Kingdom was increased to severe, meaning that an attack is considered likely. BTP has maintained a state of readiness to respond to any such attack, should it occur.

Dealing with these issues creates additional risks to the organisation and changes in legislation may be required. These risks are being identified and managed as part of the internal control environment.

The Risk and Control Framework

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

BTP and BTPA have a common approved risk management policy and Standard Operating Procedures (SOP). The documents confirm the approach to risk management within BTP and explain the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties.

The Strategic Plan and Policing Plan detail the objectives BTP is required to achieve and the risk management SOP describes the framework by which risks to the achievement of these objectives should be managed. It includes processes for monitoring and reporting risk as well as escalation procedures. Review periods are determined appropriate to the level and status of the individual risks.

During 2010-11, it was agreed that the joint Strategic Risk Register (SRR) document would be separated so that both BTP and BTPA had their own registers.

The BTPA monitors the effectiveness of risk management by BTP through meetings of the Audit Committee. This Committee meets quarterly and provides a forum for the review of internal and external audits in addition to the arrangements for risk management. Following presentation at Audit Committee the BTPA reviews risk management arrangements within BTPA and BTP and the risk registers quarterly and the BTPA risk register is shared with the Department for Transport (DfT) at regular sponsorship meetings.

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

- Meetings of the BTPA on a quarterly basis;
- The quarterly Audit Committee which monitors BTP's system of internal control and arrangements for risk management;
- A quarterly BTP SCT meeting, chaired by the Chief Constable, ensures that the Chief Officers, as the sponsors of risks, have accountability for their mitigation and are responsible for identifying and approving new and closed strategic risks;
- The quarterly Risk Committee chaired by the Director of Finance and Corporate Services is charged with ensuring that the management of risk across BTP is consistent with the risk management policy and that force level risks are being managed appropriately. It also provides a level of assurance about the adequacy of elements of internal control within BTP;
- The monthly Corporate Assurance Group, chaired by the Head of Risk Management, scrutinises the content of Area and Portfolio Risk Registers to provide a level of assurance on the adequacy of internal control and the progress against Business Continuity and Information Security Management;
- Monthly Area and Department meetings provide a platform for the identification of new risks and for reviewing existing operational risks; and
- Specific boards review risks pertaining to health and safety, technology, information management and BTP forcewide projects.

Together these forums form a comprehensive reporting structure within which BTPA's and BTP's risks are identified and mitigating actions and controls progressed. Risk appetites are determined by the ability of the individual Area or portfolio to manage that risk successfully without recourse to other parts of the business, and an escalation process is in place for risks falling outside those limits. The tolerance levels within which risks are managed are detailed in the Risk Management SOP.

Information management

Work is ongoing towards compliance with the Government's Security Policy Framework (SPF). The assurance mechanism is based on a combination of self assessment, central reporting and review. Our self assessment has identified that we are fully compliant with 67 of the 70 mandatory requirements. The remaining three actions are rated at Amber and are being addressed via an action plan which will be complete within the year.

The HMG Information Assurance Maturity Model (IAMM), revised in 2010, provides information and guidance for Accounting Officers (AO), and assists Senior Information Risk Owners (SIROs) in developing Information Assurance (IA) maturity in their organisations. This is underpinned by an IA Assessment Framework (IAAF), which provides detail of the measures required to deliver the specific levels of maturity on which the model is based.

ACPO Police Information Assurance Board (PIAB) and Information Management Business Area (IMBA) adopted the HMG IAMM as the methodology in providing evidence to demonstrate levels of IA maturity and compliance to the Community Security Policy (CSP).

The Deputy Chief Constable (DCC) is the designated SIRO for the Force. He is required to review the effectiveness and sufficiency of BTP's IA measures on at least an annual basis and to commission managed programmes of work to address any identified shortfalls and improve the organisation's IA maturity.

During 2010-11 a complete review of Information Security Policy and SOP has been completed and an additional SOP on Security Incidents and Breach Management published. An audit of key systems looking at Data Protection compliance has also been completed and a number of processes have been updated as a result.

The SIRO is also responsible for determining the additional level of IA maturity that their organisation will achieve; however the minimum IA maturity level for CSP Compliance has been set at achieving a score of 1 or 2¹ across Level 2 (Established) by 31st March 2013. BTP is required under the Police Service IA Strategy 2010 – 2013 to provide a completed Information Risk Return (IRR) by the 31st May 2011. Both strands of this work are being progressed under the sponsorship of the DCC and will identify BTP's baseline position and action plan to achieve the required compliance level.

The security issue in relation to the release of personal data reported last year resulted in a PSD investigation which has now been concluded and appropriate action taken. No systemic failures of internal control were identified as part of the investigation.

1 Score 1 is defined as "A plan to deliver the requirement is under construction, but with key issues yet to be resolved".

Score 2 is defined as "A fully endorsed and resourced project or programme (or similar formal process) is underway to deliver the plan, under a recognised formal governance structure (e.g. OCG guidelines) with achievable timescales and a fully managed risk profile".

During 2010-11 a review was carried out to track the disposal of disks containing staff information which were no longer required after the move to the HR Business Centre in Birmingham. Some gaps were identified in the methodology used and measures have been taken to improve and implement new policy and procedures.

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 (Tribal) and by BTP Chief Officers, who have responsibility for the development and maintenance of the internal control framework, and for addressing comments made by the external auditors in their management letter and other reports.

BTPA's internal auditors, Tribal, have a specific brief to take a risk based approach to auditing. An annual plan was agreed by BTP and BTPA and the planned work for 2010-11 has been carried out. All areas of weakness identified are addressed through management action plans.

In addition, assurance has been sought from all areas of BTP with responsibility for aspects of Internal Control through the biannual completion of the DfT Management Assurance Framework.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The National Audit Office (NAO) 2009-10 Management Letter noted a number of audit and accounting issues in the financial statements. Management responses to these concerns were provided and work is underway to progress them. These matters have been revisited as part of the 2010-11 NAO work.

Within the last 12 months progress to planned improvements to the internal control structure has been made including the following:

- Training for senior managers through a risk management briefing package has been delivered to all Areas and the majority of FHQ Departments as well as the BTPA during the year in order to continue to embed risk management into everyday business and improve risk based decision making;
- A partnership risk management toolkit to inform the development of risk management best practice when working in a partnership with another body was published in September 2010

- Analysis of the organisation's risk maturity based on national public sector models to inform future development. BTP uses the ALARM² model of risk maturity. A plan for improving where it is desirable to do so has been drafted;
- The introduction of a risk reporting tool available to all staff with access to BTP's Intranet in January 2011;
- The implementation of a stringent Health and Safety inspection regime which has seen all locations visited and progress made on inspection findings;
- Significant progress on Business Continuity was made during 2010-11 with completion of a comprehensive programme for Testing and Exercising relocation plans in March 2011. Awareness about Business Continuity issues was raised amongst BTP staff and key actions for improvement identified including strengthening plans to deal with loss of people and processes.
- In line with the ACPO Information Systems Community Security Policy, preparatory work for the implementation of protective monitoring software (Vigilance Pro) has been completed. This will allow electronic information usage to be monitored automatically. This system will also enforce compliance with existing procedures, including the use of protective marking, and the use of only BTP-issued encrypted memory sticks.
- A major review of governance arrangements by the BTPA has continued during 2010-11. The internal audit team have reviewed the financial governance framework and the DfT have re-issued their framework document with the BTPA.
- A model for self assessment of Risk Management Maturity for Areas and portfolios has also been developed and deployed during 2010-11
- The charges for the new model PSA holders were refreshed with up to date data for the 2010-11 charges. These were monitored at the bi-weekly meetings, subjected to a new governance procedure introduced as a consequence of weaknesses in the approval process, and were presented to the BTPA for approval in March 2010.
- A full review of schemes of delegation between the Principal Accounting Officer and Additional Accounting Officer following the changes in Accounting Officer arrangements has been completed.
- A work programme has been put in place to resolve the issues surrounding HR records, payroll and allowances and has been implemented under the direction of the DCC. A minimal number (less than 50/4568) of discrepancies require resolution; and
- A database of generic and operational health & safety risk assessments has been created.

Whilst considerable progress has been sustained throughout the year, and the robustness of assurance has been improved, further work is planned to encourage continuous improvement and prevent risk-averse attitudes undermining achievement of objectives.

2 ALARM is the national association for public sector risk management

Areas for development in 2011-12 include:

- A review of reporting across all aspects of risk management to continue the cohesive approach to risk management within BTP and the BTPA;
- Encouraging the use of the Partnerships Toolkit to ensure BTP considers the risk management arrangements of its partners, to be satisfied that these are adequate and that they do not jeopardise the achievement of the Strategic Plan;
- Introducing Management Assurance Returns across all Areas and Portfolios;
- A major review of BTP's Major Incident Manual which acts as the basis for the Forcewide Emergency Plan will be undertaken ahead of the 2012 Olympic Games as part of a wider business continuity management programme for 2010-11 to ensure fitness for purpose;
- Further work towards alignment with BS25999. This will be achieved through full implementation of the business continuity management cycle including reviewing and updating the business impact analyses and plans with continued exercising and testing continuing through to 2012;
- Further development of Incident Response Plans to deal with large scale premises and major processes (including technology) failures;
- Introduction of Vigilance Pro software;
- Full compliance with the SPF; and
- The Fraud Policy is being updated and a review assessment of fraud risks will be undertaken.

BTP continues to collaborate with other police forces at national and regional levels to identify, develop and promote best practice in respect of all issues pertaining to risk management in the wider police service – in particular issues that would benefit from the deployment of a national approach and to foster and encourage partnership working in respect of the development of risk management processes, procedures and procurement of services.

The BTPA's Audit Committee monitors the effectiveness of risk management and whether reliance can be placed upon BTP's internal control systems.

Significant Internal Control Issues

A localised internal fraud was identified and criminal proceedings against a former member of staff are ongoing. PSD and internal audit have jointly conducted an investigation into the matter. New control measures have been introduced to prevent future abuse of the system and a revised Fraud Policy has been drafted.

Internal control issues identified by the NAO during their audit 2009-10 included difficulties in evidencing staff payments and evidence for charges to London Underground.

As a result a comprehensive exercise has been undertaken to review and check all personnel files to ensure all files are up to date and accurate. This project has been reviewed by BTPA's internal auditors.

We are also working on the charges issue to have clarity between BTPA and London Underground Limited about the charges. A report setting out a mechanism for funding L Area primarily by way of actual costs has been agreed with LU Ltd and by the BTPA Finance Group.

A.C. Figures

Accounting Officer

Date 7 July 2011

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

I certify that I have audited the financial statements of the British Transport Police Fund for the year ended 31 March 2011 under the Railways and Transport Safety Act 2003. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Railways and Transport Safety Act 2003 and with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of British Transport Police Fund's affairs as at 31 March 2011 and of its net surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways and Transport Safety Act 2003 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Railways and Transport Safety Act 2003; and
- the information given in the Structure of the Authority, BTPA's Year in Review, Chief Executive's Report, Finance Director's Report and the Management Commentary contained in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP*

Date 14 July 2011.

Statement of Comprehensive Income

for the year ending 31 March 2011

	Note	2010-11 £000	Restated 2009-10 £000
Income			
Police Service Agreement income	3	201,410	199,046
Other Income	3	71,078	69,358
Release from Grant Reserve	3	1,165	932
		<u>273,653</u>	<u>269,336</u>
Expenditure			
Staff costs	4	(233,311)	(211,915)
Depreciation	5	(10,254)	(9,436)
Other Expenditure	5	(50,367)	(56,582)
		<u>(293,932)</u>	<u>(277,933)</u>
Deficit on ordinary activities before interest		(20,279)	(8,597)
Net Interest Receivable		134	10
Net Interest Payable for pension schemes	26	(20,100)	(24,000)
Net Deficit after interest before exceptional items		(40,245)	(32,587)
Credit to past service costs	25	135,700	0
Net Surplus/(Deficit) for the financial year		<u>95,455</u>	<u>(32,587)</u>
Other Comprehensive Income			
Net gain on revaluation of Property, Plant and Equipment		1,666	3,879
Actuarial gains/(losses) on defined benefit pension schemes	26	172,580	(150,390)
Cash Received from debtors and creditors previously written off	24	43	8
		<u>174,289</u>	<u>(146,503)</u>
Total Comprehensive Surplus/(Deficit) for the year ended 31 March 2011		<u>269,744</u>	<u>(179,090)</u>

The surplus/(deficit) for the financial year is transferred to the Income and Expenditure Reserve. Movements in the Income and Expenditure Reserve are set out in Note 24.

Further details explaining the operational surplus can be found in the Management Commentary.

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

Statement of Financial Position

as at 31 March 2011

	Note	2011 £000	2010 £000	Restated £000	Restated £000
Non-Current Assets					
Property, Plant and Equipment	6	49,101	44,515		35,613
Intangible assets	7	5,723	4,178		3,596
Trade and other receivables	10	172	281		338
Other assets	10	0	0		1,800
Total Non-Current assets		54,996		48,974	41,347
Current Assets					
Inventories	9	445	384		310
Trade and other receivables	10	24,433	23,264		54,468
Cash and cash equivalents	11	18,643	35,657		15,037
Total Current assets:		43,521		59,305	69,815
Total Assets		98,517		108,279	111,162
Current Liabilities					
Trade and other payables	12	(28,794)	(46,983)		(72,715)
Provisions for liabilities and charges	13	(1,703)	(2,512)		(930)
Total current liabilities		(30,497)		(49,495)	(73,645)
Non-current assets plus/less net current assets/liabilities		68,020		58,784	37,517
Non-Current Liabilities					
Pension Liabilities	25	(203,260)	(469,000)		(292,110)
Other payables	12	(6,719)	(18,528)		(18,170)
Total non-current liabilities		(209,979)		(487,528)	(310,280)
Assets less liabilities		(141,959)		(428,744)	(272,763)
Taxpayers' Equity					
Income and Expenditure Reserve	24	53,279	32,928		13,692
Grant Reserve		3,664	3,903		3,693
Revaluation Reserve		4,358	3,425		1,962
Pension Reserve	25	(203,260)	(469,000)		(292,110)
		(141,959)		(428,744)	(272,763)
		(141,959)		(428,744)	(272,763)

The financial statements on pages 52 to 85 were approved by the Authority on 07/07/2011 and were signed on its behalf by:

Signed A.C. Figgures

Accounting Officer

Date 7 July 2011

Accounting policies and notes forming part of these accounts are on pages 52 to 85.

Statement of Cashflows

for the Year Ending 31 March 2011

	Note	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Net Surplus/(Deficit) for the financial year		95,455	(32,587)
Loss on disposal of non-current assets	5	331	236
less movements in disposals of non-current assets relating to items not passing through the Statement of Comprehensive Income		0	80
(Increase)/Decrease in trade and other receivables	10	(1,060)	33,061
Increase in inventories	9	(61)	(74)
Decrease in trade payables	12	(29,998)	(25,374)
less movements in payables relating to items not passing through the Statement of Comprehensive Income		36	1
Use of provisions	13	(809)	1,582
Depreciation charges	6	8,944	8,315
Amortisation charges	7	1,310	1,121
Release of government grant reserve	3	(1,165)	(932)
MHCA Revaluation Adjustment		1,100	520
Pension charges	26	22,440	2,500
Net Interest Payable for pension schemes	26	20,100	24,000
Credit to past service costs	25	(135,700)	0
Decrease in tangible asset accruals – non cash additions	6	131	1,689
Decrease in intangible asset accruals – non cash additions	7	150	154
Net cash flow from operating activities		<u>(18,796)</u>	<u>14,292</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(13,620)	(16,006)
Purchase of intangible non-current assets	7	(3,049)	(1,894)
Proceeds of disposal of property, plant and equipment		<u>245</u>	<u>187</u>
Net cash flow from investing activities		<u>(16,424)</u>	<u>(17,713)</u>
Cash flows from financing activities			
Grants from parent department		17,694	23,145
Amounts repayable (to)/from the DfT		(414)	138
Other grants		<u>926</u>	<u>758</u>
Net financing		<u>18,206</u>	<u>24,041</u>
Net increase/(decrease) in cash and cash equivalents in the period		<u>(17,014)</u>	<u>20,620</u>
Cash and cash equivalents at the beginning of the period	11	35,657	15,037
Cash and cash equivalents at the end of the period	11	<u>18,643</u>	<u>35,657</u>
	11	<u>17,014</u>	<u>(20,620)</u>

Accounting policies and notes forming part of these accounts are on pages 52 to 85.

Statement of Changes in Taxpayers' Equity

for the Year Ending 31 March 2011

Note	Income and Expenditure Reserve £000	Grant Reserve £000	Revaluation Reserve £000	Pension Reserve £000	Total Reserve £000
Balance at 31 March 2009	13,692	3,693	1,962	(292,110)	(272,763)
Changes in Taxpayers' Equity 2009-10					
Net gain on revaluation of property, plant and equipment and motor vehicles	627	0	3,252	0	3,879
Pension movement	0	0	0	(150,390)	(150,390)
Cash Received from debtors and creditors previously written off	8	0	0	0	8
Transfer between reserves	28,289	0	(1,789)	(26,500)	0
Comprehensive Income for the year	(32,587)	0	0	0	(32,587)
Total recognised income and expense for 2009-10	(3,663)	0	1,463	(176,890)	(179,090)
Grants Received					
Revenue Grant Received	15,806	0	0	0	15,806
Capital Grant in Aid Received	6,955	1,142	0	0	8,097
Amounts Repayable from the DfT	138	0	0	0	138
Amortisation of specific capital grants	0	(932)	0	0	(932)
Total Grants Received	22,899	210	0	0	23,109
Balance at 31 March 2010	32,928	3,903	3,425	(469,000)	(428,744)
Changes in Taxpayers' Equity 2010-11					
Net gain on revaluation of property, plant and equipment and motor vehicles	0	0	1,666	0	1,666
Pension movement	0	0	0	172,580	172,580
Cash Received from debtors and creditors previously written off	43	0	0	0	43
Transfer between reserves	(92,427)	0	(733)	93,160	0
Comprehensive Income for the year	95,455	0	0	0	95,455
Total recognised income and expense for 2010-11	3,071	0	933	265,740	269,744
Grants Received					
Revenue Grant in Aid Received	17,694	0	0	0	17,694
Capital Grant in Aid Received	0	926	0	0	926
Amounts repayable to the DfT	(414)	0	0	0	(414)
Amortisation of specific capital grants	0	(1,165)	0	0	(1,165)
Total Grants Received	17,280	(239)	0	0	17,041
Balance at 31 March 2011	53,279	3,664	4,358	(203,260)	(141,959)

Accounting policies and notes forming part of these accounts are on pages 52 to 85.

Notes to the Accounts

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the British Transport Police Authority (the Authority) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority for 2010-11 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and follow the requirements of the 2010-11 Government Financial Reporting Manual.

The opening financial position as at 1 April 2010 shows net pension liabilities of £469.0m. This is owing to full implementation of IAS 19 Employee Benefits, requiring the costs and benefits of pension schemes relevant to the Authority to be reflected in the statement of accounts. The net liability of the scheme on 31 March 2011 was £203.3m, a decrease of £265.7m in the year. This decrease was caused by gains on the schemes investments and reduced liabilities (principally from a reduction in both the discount rate and future wage inflation). This liability is accounted for as a negative pension reserve. The Department for Transport, as the Authority's sponsoring department, has agreed to underwrite any pension shortfalls.

BTPA is confident that sufficient resources are available (from Police Service Agreements, from service income and from grants from the DfT) to meet its approved expenditure needs because of the agreement with the DfT. Accordingly it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Recent Accounting Developments

Standards

A number of new standards, amendments and interpretations of standards, effective in 2010 and 2011 were issued. These had no material impact on the Authority's financial statements.

As at 31 March 2011, the following Standards and Interpretations have been issued but are not yet effective (and in some cases not yet adopted by the EU):

IAS 24 Related party disclosures (amended): effective for annual periods beginning on or after 1 January 2011.

IFRS 9 Financial Instruments: effective for annual period beginning on or after 1 January 2013. However, this can be adopted in phases. Phase 1 is on or after 1 January 2009. This is a new standard on classification and measurement of financial assets that will replace IAS39.

The adoption of the above standards and interpretations in future periods will have no material effect on the Authority's financial statements.

FReM

The Government Financial and Reporting Manual (FReM) includes the following accounting change that was issued and was effective in 2010-11:

Notional Cost of Capital charge: the notional Cost of Capital calculated, as required by HM Treasury, is no longer applicable. This has resulted in changes to the Statement of Comprehensive Income, as well as any related notes. The notional value of cost of capital charged to and reversed out of the prior year Statement of Comprehensive Income was £12,276,000 (2008-09 £7,810,000). The prior year Statement of Financial Position was not affected by this change in accounting policy.

1.3 Prior Year Adjustments

Material adjustments applicable to prior periods arising from either changes in accounting policy or the correction of material errors are accounted for as prior year adjustments. Opening balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the preceding period are restated.

The only prior year adjustment in 2010-11 is the deletion of the Cost of Capital charge, as described above.

1.4 Non-Current Assets

Non-current assets includes 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 non-current assets are restated to current value each year using the relevant modified historic costing indices from the Office for National Statistics(MM17) for the category of non-current asset. All expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised, subject to a minimum monetary limit of £1,000, on an accruals basis in accordance with IAS16 Property, Plant and Equipment.

1.5 Intangible Assets

Purchased computer software and software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred.

Internally developed intangible assets, such as software or databases, are recognised as intangible assets if there is an identifiable asset that will produce future benefits and if the cost can be determined reliably.

All intangible assets are valued at cost. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Intangible assets are amortised over their useful lives, on a straight-line basis, over the shorter of the term of the licence or the life of the software package, which is usually five years.

1.6 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 the Authority has yet to occupy.

1.7 Depreciation

Depreciation is provided on a straight-line basis over periods representing the estimated useful lives of assets. Depreciation begins at the start of the period following acquisition.

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

- Leasehold Improvements – Number of years remaining on the lease at time of purchase
- Plant and machinery – 5 years
- Fixtures and fittings – 5 years
- Information technology – 5 years
- Road vehicles – between 3 and 10 years

No depreciation is provided on assets under construction.

1.8 Disposals

Depreciation is charged on assets in accordance with the Authority'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 Statement of Comprehensive Income.

1.9 Income

All income is accounted for by applying the accruals convention, and is recognised in the period in which the services are provided.

Core PSA income is statutory and therefore exempt from value added tax. All other income is regarded as business income for value added tax purposes.

1.10 Leases

The Authority has a number of operating leases in respect of property and office machinery. Rentals under operating leases are charged to the Statement of Comprehensive Income in the period in which they are incurred. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis over the term of the lease. The Authority currently holds no finance leases.

1.11 Grants

Capital grant in aid, revenue grants and revenue grant in aid received are treated as financing and credited to the Income and Expenditure Reserve as they are regarded as contributions from a controlling party in line with the requirements of the FReM. All financing is on a cash basis.

Capital grants used to acquire specific capital items are credited to the Grant Reserve. The grants are released into the Statement of Comprehensive Income in line with the depreciation charged on the assets purchased.

1.12 Provisions

Provisions for liabilities and charges have been established in accordance with IAS37 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 31 March 2011.

Provisions are charged to the Statement of Comprehensive Income 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 claims against the Authority, employment tribunals and dilapidations.

1.13 Contingent Liabilities

In accordance with IAS 37, the Authority discloses as contingent liabilities potential future obligations arising from part obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Authority's control, unless their likelihood is considered to be remote.

1.14 VAT

Most of the activities of the Authority are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Input VAT on non-statutory services is recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Interest Payable/Receivable

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

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

1.16 Inventories

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

1.17 Research and Development

Expenditure on research is not capitalised. Expenditure on development is capitalised and written off over the useful life of the asset if it meets the criteria specified in the FReM. Expenditure that does not meet the criteria for capitalisation is treated as an expense and shown in the Statement of Comprehensive Income in the year in which it is incurred.

Non-current assets acquired for use in research and development are depreciated over the life of the associated project.

1.18 Insurance

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

1.19 Financial Instruments

The Authority has adopted IFRS 7 which requires disclosures in the financial statements to enable users to evaluate:

- a) The significance of financial instruments for the Authority's financial position and performance; and
- b) The nature and extent of risks arising from financial instruments to which the Authority is exposed during the year and at 31 March 2011 and how the Authority manages these risks.

Financial assets and liabilities are recognised on the Authority's Statement of Financial Position when the Authority becomes party to the contractual provisions of the instrument. Further details are shown in Note 8.

1.20 Provision for Bad and Doubtful Debts

All bad and doubtful debts are reviewed on a case by case basis to assess the likelihood of recovery actions being successful. Where appropriate, taking into account the nature of the debt, the payment record of the debtor, whether they have been or are in dispute with the Authority and any other appropriate information, a provision is made.

1.21 Pensions

In compliance with HM Treasury guidelines these accounts comply with IAS19 Employee 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 set up 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.

On 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 1.5:1 between employer and member respectively in regard to the RPS (previously 1.57:1 until 30 June 2009).

Further details of the Authority's pension schemes can be found in notes 25 and 26.

1.22 Cash and Cash Equivalents

For the purposes of the Statement of Cashflows, cash includes cash in hand and deposits on call at financial institutions. The Authority does not currently hold any items that meet the definition of cash equivalents such as short term highly liquid investments.

1.23 Estimation Techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for income and expenditure during the reported period and the valuation of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. There may be several alternative estimation techniques, which could produce a range of results. The significant estimation techniques for the Authority include the valuation of property, plant and equipment using the modified historic costing indices from the Office for National Statistics(MM17) for each category of non-current asset.

1.24 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Authority's accounting policies, which are described in note 1, senior management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.25 Critical Judgements in Applying the Accounting Policies

Provisions have been put in place for Employment Tribunals and other Claims against the Authority, based on management decisions and on evidence from the Authority's solicitors.

There are no other significant critical judgements made in applying the accounting policies.

1.26 Key Sources of Estimation Uncertainty

There are no significant sources of estimation uncertainty.

1.27 Exceptional Items

Exceptional items are those items that in the Authority's view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Authority's financial performance.

2 Segmental Analysis

The Authority operates as one class of business, that of policing the railways throughout England, Wales and Scotland, and undertakes that class of business in one geographical segment, Great Britain. Segmental analysis is therefore not appropriate.

3 Income

Police Service Agreement income is received from train operating companies and other organisations for policing and security services provided. It represents the value of services provided from the ordinary activities of the business during the year. Other income mainly comprises additional specific policing services required by train operating companies and other organisations.

	2010-11	2009-10
	£000	£000
Police Service Agreement income	201,410	199,046
<u>Other income</u>		
London Underground income	48,779	46,866
Enhanced Police Service Agreement income	16,035	18,932
Other income	6,264	3,560
	<u>71,078</u>	<u>69,358</u>
Release from Grant Reserve	1,165	932
Total	<u>273,653</u>	<u>269,336</u>

4 Staff Numbers and Related Costs

Total staff costs consist of:	2010-11		Permanently Employed Staff	Temporary Employed staff	2009-10	
	Total £000	Total £000	Total £000	Total £000	Total £000	Total £000
Salaries and Wages	173,821	169,425	4,396	173,048		
Social Security Costs	13,222	13,222	0	13,696		
Other Pension Costs	46,268	46,268	0	25,171		
Sub-total	233,311	228,915	4,396	211,915		
Less recoveries in respect of outward secondments	(1,492)	(1,492)	0	(1,169)		
Total staff costs	231,819	227,423	4,396	210,746		

Between 01 April 2010 and 31 March 2011, contributions of £23.1 million (£22.5million for the year ended 31 March 2010) 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 15.09% (+ BRASS matching) for the Railways Pension Scheme, 24% for the BTPFSF and 20% for the BTPFSF (new). Further details of the Authority's pension schemes can be found in notes 25 and 26.

Between 01 April 2010 and 31 March 2011 6 employees retired early on ill-health grounds (8 persons for the year ended 31 March 2010); There were no additional accrued pension liabilities in the year ended 31 March 2011 (Nil for the year ended 31 March 2010).

Average number of persons employed

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

				2010-11	2009-10
	Police Officers	Police Community Service Officers	Police Staff	Total	Total
Directly Employed	2,896	316	1,329	4,541	4,581
Other – Agency Staff	0	0	88	88	91
	2,896	316	1,417	4,629	4,672

5 Other expenditure

The deficit on ordinary activities before interest is stated after charging the following:

	Note	2010-11 £000	Restated 2009-10 £000
Supplies and services: other staff costs		5,674	5,862
Supplies and services: communications and computers		11,892	11,225
Supplies and services: other		10,961	17,669*
Rentals under operating leases		7,140	6,760
Premises (excluding rentals under operating leases)		7,715	8,092
Transport costs		4,522	4,768
Non-cash items			
Depreciation of property, plant and equipment		8,944	8,315
Amortisation of intangible assets		1,310	1,121
MHCA Revaluation		1,100	520*
(Gain)/Loss on disposal of property, plant and equipment		331	236
Provision provided for in year		(682)	1,605*
Bad Debt Write Offs		1,714	(155)
Total		60,621	66,018

During the year the Authority did not purchase any non-audit services from its auditor, The National Audit Office. Included in Supplies and Services: other is a charge of £110,000 for auditors remuneration for audit work related to 2010-11.

* During 2010-11 the Authority reviewed the way in which it analyses expenditure. As a result of this review the Authority have re-classified the allocation of some categories of expenditure to provide a more accurate analysis.

6 Property, plant and equipment

	Leasehold Improvements	Plant and Machinery	Vehicles	Assets Under Construction – Motor Vehicles	Assets Under Construction – Leasehold Improvements	Fixtures & Fittings	IT Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 April 2010	24,929	14,985	10,414	1,360	3,105	2,461	25,693	82,947
Additions	1,255	1,169	2,202	0	5,536	187	3,140	13,489
Transfers	0	0	49	(49)	0	0	0	0
Write offs	(98)	(2,199)	(54)	0	0	(15)	(7,839)	(10,205)
Disposals	0	0	(1,249)	0	0	0	(6)	(1,255)
Revaluations	1,529	753	8	0	0	141	(1,720)	711
At 31 March 2011	<u>27,615</u>	<u>14,708</u>	<u>11,370</u>	<u>1,311</u>	<u>8,641</u>	<u>2,774</u>	<u>19,268</u>	<u>85,687</u>
Depreciation								
At 1 April 2010	5,336	9,537	5,099	0	0	1,348	17,112	38,432
Charge for the Period	1,859	1,667	2,083	0	0	351	2,984	8,944
Transfers	0	0	0	0	0	0	0	0
Write offs	(56)	(2,209)	95	0	0	(13)	(7,725)	(9,908)
Disposals	0	0	(1,022)	0	0	0	(2)	(1,024)
Revaluations	33	580	17	0	0	115	(603)	142
At 31 March 2011	<u>7,172</u>	<u>9,575</u>	<u>6,272</u>	<u>0</u>	<u>0</u>	<u>1,801</u>	<u>11,766</u>	<u>36,586</u>
NBV at 31 March 2011	<u>20,443</u>	<u>5,133</u>	<u>5,098</u>	<u>1,311</u>	<u>8,641</u>	<u>973</u>	<u>7,502</u>	<u>49,101</u>
NBV at 31 March 2010	<u>19,593</u>	<u>5,448</u>	<u>5,315</u>	<u>1,360</u>	<u>3,105</u>	<u>1,113</u>	<u>8,581</u>	<u>44,515</u>
Asset Financing:								
Owned	20,443	5,133	5,098	1,311	8,641	973	7,502	49,101
NBV at 31 March 2011	<u>20,443</u>	<u>5,133</u>	<u>5,098</u>	<u>1,311</u>	<u>8,641</u>	<u>973</u>	<u>7,502</u>	<u>49,101</u>

	Leasehold Improvements	Plant and Machinery	Vehicles	Assets Under Construction – Motor Vehicles	Assets Under Construction – Leasehold Improvements	Fixtures & Fittings	IT Equipment	Total
	Restated £000	Restated £000	£000	£000	£000	Restated £000	Restated £000	Restated £000
Cost								
At 1 April 2009	18,546	12,071	8,923	1,971	2,115	1,906	21,181	66,713
Additions	4,840	2,313	2,321	0	990	447	3,406	14,317
Transfers	(10)	0	611	(611)	0	0	10	0
Write offs	(177)	(430)	0	0	0	(128)	(373)	(1,108)
Disposals	0	0	(1,552)	0	0	0	0	(1,552)
Revaluations	1,730	1,031	111	0	0	236	1,469	4,577
At 31 March 2010	<u>24,929</u>	<u>14,985</u>	<u>10,414</u>	<u>1,360</u>	<u>3,105</u>	<u>2,461</u>	<u>25,693</u>	<u>82,947</u>
Depreciation								
At 1 April 2009	3,974	7,772	4,517	0	0	940	13,897	31,100
Charge for the Period	1,628	1,479	1,758	0	0	363	3,087	8,315
Transfers	0	0	0	0	0	0	0	0
Write offs	(91)	(398)	0	0	0	(111)	(282)	(882)
Disposals	0	0	(1,243)	0	0	0	0	(1,243)
Revaluations	(175)	684	67	0	0	156	410	1,142
At 31 March 2010	<u>5,336</u>	<u>9,537</u>	<u>5,099</u>	<u>0</u>	<u>0</u>	<u>1,348</u>	<u>17,112</u>	<u>38,432</u>
NBV at 31 March 2010	<u>19,593</u>	<u>5,448</u>	<u>5,315</u>	<u>1,360</u>	<u>3,105</u>	<u>1,113</u>	<u>8,581</u>	<u>44,515</u>
NBV at 31 March 2009	<u>14,572</u>	<u>4,299</u>	<u>4,406</u>	<u>1,971</u>	<u>2,115</u>	<u>966</u>	<u>7,284</u>	<u>35,613</u>
Asset Financing:								
Owned	19,593	5,448	5,315	1,360	3,105	1,113	8,581	44,515
NBV at 31 March 2010	<u>19,593</u>	<u>5,448</u>	<u>5,315</u>	<u>1,360</u>	<u>3,105</u>	<u>1,113</u>	<u>8,581</u>	<u>44,515</u>

Property, plant and equipment have been stated at current cost using the modified historic costing indices from the Office for National Statistics(MM17) for each category of asset.

7 Intangible Non-Current Assets

Intangible assets comprise of purchases of software and software licences.

	Purchased Software Licences	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Cost				
At 1 April 2010	3,464	3,281	0	6,745
Additions	662	174	2,063	2,899
Transfers	0	0	0	0
Write offs	(225)	(50)	0	(275)
Disposals	0	0	0	0
At 31 March 2011	3,901	3,405	2,063	9,369
Depreciation				
At 1 April 2010	1,478	1,089	0	2,567
Charge for the Period	679	631	0	1,310
Transfers	0	0	0	0
Write offs	(192)	(39)	0	(231)
Disposals	0	0	0	0
At 31 March 2011	1,965	1,681	0	3,646
NBV at 31 March 2011	1,936	1,724	2,063	5,723
NBV at 31 March 2010	1,986	2,192	0	4,178

	Purchased Software Licences Restated	Information Technology Restated	Development Expenditure	Total Restated
	£000	£000	£000	£000
Cost				
At 1 April 2009	2,740	2,537	0	5,277
Additions	950	790	0	1,740
Transfers	0	0	0	0
Write offs	(226)	(46)	0	(272)
Disposals	0	0	0	0
At 31 March 2010	3,464	3,281	0	6,745
Depreciation				
At 1 April 2009	1,063	618	0	1,681
Charge for the Period	607	514	0	1,121
Transfers	0	0	0	0
Write offs	(192)	(43)	0	(235)
Disposals	0	0	0	0
At 31 March 2010	1,478	1,089	0	2,567
NBV at 31 March 2010	1,986	2,192	0	4,178
NBV at 31 March 2009	1,677	1,919	0	3,596

8 Financial Instruments

Owing to the largely non-trading nature of its activities and the way in which the Authority is financed, the Authority is not exposed to the degree of financial risk faced by business entities. The Authority has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Authority in undertaking its activities.

Liquidity Risk

The Authority's net revenue and capital resource requirements are financed by resources from the PSA holders, and other Government bodies. There is an agreement with the Department for Transport to provide a loan facility based on cashflow requirement. Therefore the Authority is not exposed to significant liquidity risks.

Interest Rate Risk

All of the Authority's financial assets and all of its financial liabilities carry 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 2011.

Primary Financial Instruments

	Book Value	Fair Value
	£000	£000
Financial Assets:		
Cash at Bank	18,643	18,643
Financial Liabilities:		
Provisions	1,703	1,703

9 Inventories

	31 March 2011	31 March 2010	01 April 2009
Uniforms	£000	£000	£000
Opening Balance	384	310	0
Additions	518	671	310
Utilisations	(457)	(597)	0
Closing Balance	445	384	310

10 Trade Receivables and other current assets

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Amounts falling due within one year:			
Trade Receivables	16,776	25,767	58,253
PSA Receivable*	0	1,800	1,700
Other Receivables	1,150	1,347	868
Prepayments and accrued income	6,736	5,109	4,658
Less: Provision for Doubtful Debts	(229)	(229)	(229)
Provision for Bad and Doubtful Debts	0	(10,530)	(10,782)
Total	24,433	23,264	54,468
	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Amounts falling due after more than one year:			
Other Receivables	0	0	1,800
Prepayments and accrued income	172	281	338
	172	281	2,138

* The PSA receivables were a result of DfT agreeing a loan of £10m to cover deferred PSA charges for 2005-06. The repayment of this loan has been met by a deferred PSA charge to the PSA holders over four years starting in 2007-08 and the final payments were made in 2010-11.

Amounts in the above figures due to other entities included in the Whole of Government Accounts	31 March 2011	Restated 31 March 2010	Restated 01 April 2009
	£000	£000	£000
Other central government bodies	3,773	3,622	1,878*
Local authorities	2,527	2,317	86*
NHS bodies	0	0	0
Public corporations and trading funds	0	0	0
Intra-government debtors	6,300	5,939	1,964
Bodies external to government	18,305	17,606	54,642*
	24,605	23,545	56,606

* During 2010-11 the Authority reviewed the way in which it analyses Trade Receivables and other current assets for the purposes of the Whole of Government Account. As a result of this review the Authority have re-classified some of the Trade Receivables and other current assets from Bodies external to the Government to Other central government bodies and local authorities. This provides a more accurate analysis of the balances outstanding.

11 Cash and cash equivalents

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Balance at 01 April	35,657	15,037	25,303
Net change in cash and cash equivalent balances	(17,014)	20,620	(10,266)
Balance at 31 March	18,643	35,657	15,037
The following balances at 31 March were held at:			
Government Banking Service	419	8,920	15,028
Commercial banks and cash in hand	18,224	26,737	9
Balance at 31 March	18,643	35,657	15,037

12 Trade Payables and other current liabilities

	Restated		
	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Amounts falling due within one year			
Department for Transport Loan	0	1,798	1,700
Trade payables	2,771	71	594
VAT payable	348	242	384
Other Taxation & Social Security	3,981	3,981	4,047
Other payables	762	21,038	46,660
Accruals & Deferred Income	20,932	19,853	19,330
Total	28,794	46,983	72,715

	Restated		
	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Amounts falling due after more than one year			
Department for Transport Loan	0	17,694	1,800
Other payables, accruals and deferred income	6,719	834	16,370
	6,719	18,528	18,170

	Restated		
	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Amounts in the above figures due to other entities included in the Whole of Government Account			
Other central government bodies	5,322	40,400	24,813*
Local authorities	1	2	9
Public corporations and trading funds	0	0	1
Intra-government payables and liabilities	5,323	40,402	24,823
Bodies external to government	30,190	25,109	66,062*
	35,513	65,511	90,885

* During 2010-11 the Authority reviewed the way in which it analyses Trade Payables and other current liabilities for the purposes of the Whole of Government Account. As a result of this review the Authority have re-classified some of the Trade Payables and other current liabilities from Bodies external to the Government to Other central government bodies. This provides a more accurate analysis of the balances outstanding.

13 Provisions for liabilities and charges

Provisions have been recognised within the accounts where:

- (i) The Authority 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;
- (iv) it is subject to a case threshold of £50,000.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at 31 March 2011.

	Claims Against the Authority £'000	Employment Tribunals £'000	Dilapidations £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2009	284	396	250	0	930
Provided in the year	367	947	0	563	1,877
Provisions not required written back	(214)	(58)	0	0	(272)
Provisions utilised during the year	(11)	(12)	0	0	(23)
Balance at 1 April 2010	426	1,273	250	563	2,512
Provided in the year	287	200	0	792	1,279
Provisions not required written back	(326)	(843)	0	0	(1,169)
Provisions utilised during the year	0	(356)	0	(563)	(919)
Balance at 31 March 2011	387	274	250	792	1,703

The provisions for the Authority are all expected to be utilised by 31 March 2012.

Claims Against the Authority

This provision applies to claims made by employees of the Authority/Force and members of the public, which were allegedly caused by the Authority's/Force's negligence and result in injury, loss or damage. The provision is created based on information provided on a regular basis by professional in-house staff and solicitors and is the estimated cost of settlement including legal costs for outstanding liabilities valued in excess of £50,000.

Employment Tribunals

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

Dilapidations

This provision applies to dilapidations of leasehold properties.

Other Provisions

The provision set up in 2009-10 was established based on the estimate of the Authority's share of the costs of the inquests into the 10 May 2002 train crash at Potters Bar and the 07 July 2005 London bombings. All costs relating to these inquests were incurred during 2010-11.

The provision at 2010-11 was established based on the estimate of the costs for the Voluntary Severance Scheme for senior officers.

14 Capital Commitments

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Contracted capital commitments at 31 March 2011 for which no provision has been made:			
Property, plant and equipment	0	1,790	1,010
	<u>0</u>	<u>1,790</u>	<u>1,010</u>

As at 31 March 2011 there were no Capital Commitments relating to work yet to be started on properties. At 31 March 2010 there were four Capital Commitments totalling £1,790,000.

15 Commitments under leases

15.1 Operating Leases

A) Rentals under Operating Leases

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Land and buildings	6,664	6,392	6,240
Plant and machinery	153	152	150
Total	<u>6,817</u>	<u>6,544</u>	<u>6,390</u>

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.

B) Obligations under Operating Leases for the following periods comprise:

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Buildings:			
Expiry within 1 year	121	62	317
Expiry after 1 year but not more than 5 years	963	1,142	1,609
Expiry thereafter	79,003	75,783	65,476
Total Operating Lease obligations	<u>80,087</u>	<u>76,987</u>	<u>67,402</u>

15.2 Finance Leases

The Authority have no leases that meet the definition of finance leases under IAS17.

16 Other Financial Commitments

The Authority did not enter into any non-cancellable contracts (which are not leases) during 2010-11 (Nil in 2009-10 and previous years).

17 Contingent Liabilities disclosed under IAS 37

The Authority has not entered into any unquantifiable contingent liabilities within the meaning of IAS 37.

18 Related Party Transactions – London Underground Area

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

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

The Chief Constable has legal authority for the Force and, subject to approval by the Authority, and in agreement LUL determines the level of resources required annually. Under the agreement the Authority recharges all payroll and other agreed costs of providing the police

service to LUL on a periodic basis. In addition the agreement provides for the recovery of an appropriate share of the Authority's centrally organised services.

In 2010-11 staff costs relating to LUL were £43.7m (£44.0m for the year ended 31 March 2010). The average number of police officers and police staff employed on London Underground during 2010-11 was 932 (956 for the year ended 31 March 2010).

LUL was invoiced by the Authority £10,475,577 in 2010-11 for non staff related costs (£9,686,110 in 2009-10) and as at 31 March 2011 £1,363,477 was outstanding (£1,101,932 at 31 March 2010).

19 Related Party Transactions – Other

The Department for Transport as the Authority's sponsor is a related party. The DfT was invoiced by the Authority £678,543 in 2010-11 (£42,070,060 in 2009-10) and as at 31 March 2011 £649,966 was outstanding, this relates to 2009-10 (£649,966 at 31 March 2010). At 31 March 2010 the Authority had a loan balance with the DfT of £17,693,647. This was transferred in full to grant-in-aid during 2010-11. In addition to this £2,253,194 has been identified as funding relating to 2010-11, which will be subject to a claim to the DfT in 2011-12. The Authority also has a liability with the DfT of £445,448 relating to depreciation on funded capital purchases (£16,232,000 at 31 March 2010).

Network Rail with whom the Authority has a Police Service Agreement is also a related party. Network Rail was invoiced by the Authority £81,528,457 in 2010-11 (£82,925,199 in 2009-10) and as at 31 March 2011 £5,789,218 was outstanding (£304,684 at 31 March 2010).

Due to its status as a national Police Force the Authority has received grants from the Home Office totalling £nil in 2010-11 (£154,560 in 2009-10). There was nothing outstanding at 31 March 2011 (£nil at 31 March 2010). The Home Office is regarded as a related party.

Six members of the Authority are drawn from organisations providing railway services. Some of 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. Further details of Authority members and their interests can be found in the Management Commentary.

20 Third Party Assets

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

	31 March 2010 £000	Gross Inflows £000	Gross Outflows £000	31 March 2011 £000
British Transport Police Authority Property Act Fund Account	69	2	(10)	61
British Transport Police Cash Seizures Accounts	634	388	(558)	464
Total Third Party Assets	703	390	(568)	525

British Transport Police Authority Property Act Fund Account

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

British Transport Police Cash Seizures Accounts

In accordance with the Proceeds of Crime Act 2002 the Authority's Police Officers have the power to seize cash from suspects and hold the money until court proceedings have completed. The cash, with interest, is then either paid back to the defendant or paid over to the Home Office or other relevant authorities. As the cash is not the property of the Authority it does not form part of the Force's normal banking arrangements. As a result the Authority set up a separate interest earning account with Barclays Bank Plc to manage cash seizures. During the previous financial year the Authority transferred its banking operations to Royal Bank of Scotland (RBS). The Authority has now wound up the old Barclays account and has transferred the remaining deposits to the new RBS cash seizures account.

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

21 Charges to Police Service Users

As a result of the Judicial Review in 2009, the core PSA charges are calculated by using two different models for different PSA holders, depending on the contract that the PSA holder has in place. When the charges are calculated using the two different models, the charges do not recover 100% of the Authority's net expenditure. A formal agreement is in place with the DfT which funds this gap. In 2010-11 the gap was £2,528,095 (2009-10 £3,941,442).

22 Losses and Special Payments

Losses and special payments of £12,326,411 were incurred during the year. Of this £12,228,411 related to the failure to make adequate charges. These relate to the Judicial Review and have been met in full by the DfT through Grant in Aid. The remaining £98,000 relates to a special payment.

23 Events After the Reporting Period

On 1 April 2011 an agreement was reached with a PSA holder which reduced their charges by £3,696k which arose directly from the Judicial Review process and a previous mediation. On 31 March 2011 the DfT approved the conversion of this amount from loan to financing. This has been treated as an adjusting event after the reporting period and has therefore been fully reflected in these financial statements.

The date the accounts are authorised for issue is the date that they are certified by the Comptroller and Auditor General.

24 Income and Expenditure Reserve

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

	Distributable Reserve	Revenue Financing Reserve	Capital Financing Reserve	Working Capital Reserve	Contingency Reserve	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 01 April 2009 (restated)	(24,243)	0	30,035	6,500	1,400	13,692
Comprehensive Income for the year	(32,587)	0	0	0	0	(32,587)
Cash Received from debtors and creditors previously written off	8	0	0	0	0	8
Transfer between reserves	27,465	0	0	0	824	28,289
Indexation	627	0	0	0	0	627
Revenue Grant Received	0	15,806	0	0	0	15,806
Capital Grant in Aid Received	0	0	6,955	0	0	6,955
Amounts repayable from the DfT	0	0	138	0	0	138
Balance at 31 March 2010 (restated)	<u>(28,730)</u>	<u>15,806</u>	<u>37,128</u>	<u>6,500</u>	<u>2,224</u>	<u>32,928</u>
Comprehensive Income for the year	95,455	0	0	0	0	95,455
Cash Received from debtors and creditors previously written off	43	0	0	0	0	43
Transfer between reserves	(92,927)	0	0	0	500	(92,427)
Revenue Grant Received	0	17,694	0	0	0	17,694
Capital Grant in Aid Received	0	0	0	0	0	0
Amounts repayable to the DfT	0	0	(414)	0	0	(414)
Closing balance at 31 March 2011	<u>(26,159)</u>	<u>33,500</u>	<u>36,714</u>	<u>6,500</u>	<u>2,724</u>	<u>53,279</u>

Distributable Reserve

The Distributable represents the Authority's cumulative past operating surpluses/deficits.

Revenue Financing Reserve

The Revenue Financing Reserve represents the funding received from the DfT to cover the impact of the Judicial Review, which resulted in the core PSA charges being based on two models which do not recover 100% of the Authority's net expenditure. There is a formal agreement with the DfT to fund this gap. The Authority have received formal permission from the DfT to convert these funds from loan to financing. In addition to the financing received there is an additional £2,222k for 2010-11 relating to the Judicial Review that has yet to be claimed from the DfT.

Capital Financing Reserve

The Capital Financing Reserve represents the Government grants received from the DfT for the general acquisition of capital goods. There is an agreement with the DfT over the repayment of these funds.

Working Capital Reserve

The Working Capital Reserve represents Grant in Aid from the DfT to ensure the liquidity of the Authority.

Contingency Reserve

The Contingency Reserve was created with the agreement of HM Treasury and the DfT to provide for unexpected events, such as major incidents and crimes, and to reduce the impact of these events on a single years budget. The reserve is not expected to exceed £3m, with the ceiling being increased by the Retail Price Index each year.

25 Disclosure of Retirement Benefits

The pension costs associated with staff employed by the Authority during the year are £47.4m (£27.0m in 2009-10). In addition there was a net return on the pension fund of £20.1m (£24.0m in 2009-10), leaving a net debit in relation of pensions for the year of £67.5m (£51.0m in 2009-10). In addition to this there was an exceptional item of £135.7m in 2010-11 relating to the credit to past service costs as a result of the change from the Retail Prices Index to the Consumer Prices Index for Pensions Uprating. The total pension liabilities for all staff, past and present, are shown in the Statement of Financial Position. These amount to £203.3m (£469.0m in 2009-10). HM Treasury have confirmed that the charge or credit to the Statement of Comprehensive Income arising from IAS19 should be excluded from the calculation of the amount to be reclaimed from parties with Police Service Agreements with the Authority.

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

The position of the schemes at 31 March 2011 were as follows:

Pension Liabilities	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
British Transport Police Force Superannuation Fund (BTPFSF)	181,090	425,900	270,500
British Transport Police Section of the Railways Pension Scheme (RPS)	22,170	43,100	21,600
	<u>203,260</u>	<u>469,000</u>	<u>292,100</u>

The amounts recognised in the Statement of Comprehensive Income are as follows:

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
British Transport Police Force Superannuation Fund (BTPFSF)	56,800	44,500	28,700
British Transport Police Section of the Railways Pension Scheme (RPS)	10,700	6,500	7,300
	<u>67,500</u>	<u>51,000</u>	<u>36,000</u>
Exceptional Items			
British Transport Police Force Superannuation Fund (BTPFSF)	(124,600)	0	0
British Transport Police Section of the Railways Pension Scheme (RPS)	(11,100)	0	0
	<u>(135,700)</u>	<u>0</u>	<u>0</u>
Total amount recognised in the Statement of Comprehensive Income	<u>(68,200)</u>	<u>51,000</u>	<u>36,000</u>

Accounting for the Change from the Retail Prices Index to the Consumer Prices Index for Pensions Up-rating

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The British Transport Police Force Superannuation Fund (BTPFSF) and the Railways Pension Scheme (RPS) are private section schemes, however, according to the rules of both arrangements, pensions in payment and benefits in deferment are increased in the same proportion as official pensions are increased under the Pensions (Increase) Act 1971. The Pensions Increase (Review) Order 2011 provided for official pensions which began before 12 April 2010 to be increased by 3.1% on or after 11 April 2011; this was in line with CPI in September 2010. As a result of this Order an increase of 3.1% was made to benefits in the BTPFSF and the British Transport Police Section of the RPS.

The question of whether, as regards the main public service pension schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that the deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

Further details can be found in Note 26.

26 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 – hereafter known as BTPFSF (new). The existing category was closed to all new members at this time. The new category is a defined benefit scheme.

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

The BTPFSF provides benefits on a “final salary” basis at a pension age of 55. Pension benefits accrue at the rate of one forty-fifth of final average salary less one thirtieth of final average State flat-rate pension for each year of beneficial membership. In addition a lump sum is payable on retirement. This value of this is dependent on the rules applicable to the individual concerned.

Members pay contributions of 16.0% of scheme salary and the employer pays one and a half times the employee contribution, being 24.0%. In addition the employer paid a deficit payment of 1.7% of the benefit outgoings for the 1970 Contributory Section of the BTPFSF for 3 years from 1 April 2005 until 31 March 2008.

The BTPFSF (new) provides benefits on a “final salary” basis at a pension age of 55. Pension benefits accrue at the rate of one-seventieth of final average salary for each year of beneficial membership of the fund (subject to a maximum of thirty-five years). In addition, a tax-free lump sum equivalent to four-seventieths of final average salary for every year of beneficial membership in the fund is payable on retirement.

Members pay contributions of 10.0% of pensionable salary and the employer pays twice the employee contribution, being 20.0%.

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 and AVC Extra are additional voluntary contribution arrangements which accept additional employee contributions.

Under the Trust Deed and Rules the pension fund is subject to an independent triennial actuarial valuation to monitor the funding level and determine the employer’s and employees’ contribution rates. An independent actuarial valuation was carried out as at 31 December 2009 by Towers Watson. The results, which showed a deficit, have now been finalised, and a recovery plan has been agreed with the Trustee. The Authority uses Mercer Limited to provide the IAS19 valuation.

The employer's pension contributions for the current year and the previous four years were:

2006-07	19.3% of salaries
2007-08	12.6% of salaries
2008-09	13.0% of salaries
2009-10	9.7% of salaries
2010-11	16.0% of salaries

The amounts recognised in the statement of financial position are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Present value of funded obligations	1,034,100	1,214,200	862,900
Fair value of plan assets	(853,010)	(788,300)	(592,400)
	<u>181,090</u>	<u>425,900</u>	<u>270,500</u>
Present value of unfunded obligations	-	-	-
Unrecognised actuarial gains (losses)	-	-	-
Unrecognised past service cost	-	-	-
Net liability	<u>181,090</u>	<u>425,900</u>	<u>270,500</u>
Amounts in the statement of financial position:			
liabilities	181,090	425,900	270,500
assets	-	-	-
Net liability	<u>181,090</u>	<u>425,900</u>	<u>270,500</u>

The amounts recognised in the Statement of Comprehensive Income are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Current service cost	38,700	22,200	29,600
Interest on obligation	70,000	58,600	59,100
Expected return on plan assets	(51,900)	(36,300)	(60,000)
Net actuarial losses (gains) recognised in year	-	-	-
Past service cost	(124,600)	-	-
Losses (gains) on curtailments and settlements	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total pension cost recognised in the income statement	<u>(67,800)</u>	<u>44,500</u>	<u>28,700</u>
Actual return on plan assets	70,100	196,500	(233,400)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Benefit obligation at beginning of year	1,214,200	862,900	999,000
Current service cost	38,700	22,200	29,600
Interest cost	70,000	58,600	59,100
Plan participants' contributions	12,250	12,000	11,300
Past service costs	(124,600)	-	-
Actuarial (gains)/losses	(137,550)	291,900	(201,400)
Losses (gains) on curtailments	-	-	-
Liabilities extinguished on settlements	-	-	-
Benefits paid (including expenses)	(38,900)	(33,400)	(34,700)
Effect of exchange rate changes	-	-	-
Benefit obligation at end of year	1,034,100	1,214,200	862,900
<u>Analysis of defined benefit obligation</u>			
Plans that are wholly or partly funded	1,034,100	1,214,200	862,900
Plans that are wholly unfunded	-	-	-
Total	1,034,100	1,214,200	862,900

Changes in the fair value of plan assets are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Fair value of plan assets at beginning of year	788,300	592,400	829,800
Expected return on plan assets	51,900	36,300	60,000
Actuarial gains/(losses)	18,200	160,200	(293,400)
Business combinations	-	-	-
Assets distributed on settlements	-	-	-
Employer contribution	19,420	18,800	17,400
Member contributions	12,250	12,000	11,300
Government support payments	1,840	2,000	2,000
Benefits paid (including expenses)	(38,900)	(33,400)	(34,700)
Effect of exchange rate changes	-	-	-
Fair value of plan assets at end of year	853,010	788,300	592,400

The Authority expects to contribute around £22.5m to this pension scheme in the year ending 31 March 2012 (£19.4m in the year ended 31 March 2011).

To develop the expected long-term rate of return on assets assumption, Mercer's considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations of future returns for each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.26% assumption for the year ended 31 March 2008, 6.16% for the year ended 31 March 2009, 6.60% for the year ended 31 March 2010 and 6.70% for the year ended 31 March 2011.

Plan assets at the year end (expressed as weighted averages)

<u>Percentage of plan assets by asset allocation</u>	31 March 2011	31 March 2010	01 April 2009
Equities	68.70%	68.90%	64.10%
Bonds	17.10%	11.50%	13.10%
Real Estate	8.00%	8.60%	9.70%
Allowance for Government Support Payments	2.00%	2.00%	2.60%
Other	4.20%	9.00%	10.50%
	100.00%	100.00%	100.00%

<u>Expected return on assets by asset allocation</u>	31 March 2011	31 March 2010	01 April 2009
Equities	7.60%	7.70%	7.20%
Bonds	4.95%	5.10%	5.40%
Real Estate	6.30%	6.40%	6.30%
Allowance for Government Support Payments	5.50%	5.70%	6.80%
Other	0.50%	0.50%	0.50%
	6.70%	6.60%	6.80%

Principal actuarial assumptions as at the end of the reporting period (expressed as weighted averages)

<u>Weighted average assumptions used to determine benefit obligations at:</u>	31 March 2011	31 March 2010	01 April 2009
Discount rate	5.50%	5.70%	6.80%
Rate of compensation increase*	4.50%	5.20%	4.80%
Rate of RPI price inflation	3.50%	3.70%	3.30%
Rate of CPI price inflation	2.75%	n/a	n/a
Rate of deferred pension increases	2.75%	3.70%	3.30%
Rate of pensions increases	2.75%	3.70%	3.30%

* allowance has been made for a pay freeze until 2013 and then increases of 4.5% pa thereafter.

<u>Weighted average assumptions used to determine net pension cost for the year ended:</u>	31 March 2011	31 March 2010	01 April 2009
Discount rate	5.70%	6.80%	5.90%
Expected long-term return on plan assets	6.71%	6.16%	7.26%
Rate of compensation increase	5.20%	4.80%	5.00%
Rate of RPI price inflation	3.70%	3.30%	3.30%
Rate of CPI price inflation	n/a	n/a	n/a
Rate of deferred pension increases	3.70%	3.30%	3.30%
Rate of pensions increases	3.70%	3.30%	3.30%

<u>Weighted average life expectancy for mortality tables used to determine benefit obligations at:</u>	31 March 2011	31 March 2010	01 April 2009
Male member age 65 (current life expectancy)	21.7	19.4	19.4
Female member age 65 (current life expectancy)	24.5	21.7	21.7
Male member age 45 (life expectancy at age 65)	24.0	22.3	22.2
Female member age 45 (life expectancy at age 65)	26.9	24.4	24.3

Amounts for the current year and previous four years are as follows:

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
	£000	£000	£000	£000	£000
Benefit obligation at the end of year	1,034,100	1,214,200	862,900	999,000	898,100
Fair value of plan assets at end of year	853,010	788,300	592,400	829,800	869,600
Surplus/(deficit)	(181,090)	(425,900)	(270,500)	(169,200)	(28,500)
Difference between expected and actual return on scheme assets:					
amount (£'000)	34,000	160,200	(293,400)	(101,100)	20,300
percentage of scheme assets	3%	20%	(50%)	(12%)	2%
Experience gains and losses on scheme liabilities:					
amount (£'000)	31,600	13,800	(200)	(35,800)	17,800
percentage of scheme liabilities	3%	1%	0%	(4%)	2%

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

The Railways Pension Scheme (RPS) 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 section is open to new members.

The RPS provides benefits on a defined benefit "final salary" basis at a pension age of 60. Pension benefits accrue at the rate of one-sixtieth of final average pay less one-fortieth of the final average basic State pension for each year of pensionable service. In addition, a lump sum equivalent to one fortieth of final average pay for every year of pensionable service is payable on retirement.

Members pay contributions of 10.06 % of section pay (this was 9.2% up to 30 June 2009). The employer contribution is one and a half times the members', being 15.09% + plus BRASS matching of up to 5% of eligible members' pensionable pay (this was 14.46% with no BRASS matching up to 30 June 2009).

The service cost has been calculated as the total cost (including BRASS contributions which are also included in the current employer's contribution figure) less actual employee contributions. BRASS contributions are additional voluntary contributions made by the employee. Members are entitled to receive employer contributions matching their own contribution up to a set level. Prior to 1 July 2009 this was being met from the sections assets. Since 1 July 2009 the employer now pays BRASS matching contributions directly. Increases to BRASS matching contributions were frozen with effect from 2 July 2004.

Under the Pension Trust and Regulations the RPS is subject to an independent triennial actuarial valuation to monitor the funding level and determine the employer's and employees' contribution rates. An independent actuarial valuation is being carried out as at 31 December 2010 by Towers Watson. The results are due to be finalised in March 2012. The Authority uses Mercer Limited to provide the IAS19 valuation.

The employer's pension contributions for the current year and the previous four years were:

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

2007-08 2.7% of salaries
2008-09 3.1% of salaries
2009-10 2.3% of salaries
2010-11 3.8% of salaries

The amounts recognised in the statement of financial position are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Present value of funded obligations	80,300	92,400	53,600
Fair value of plan assets	(58,130)	(49,300)	(32,000)
	<u>22,170</u>	<u>43,100</u>	<u>21,600</u>
Present value of unfunded obligations	-	-	-
Unrecognised actuarial gains (losses)	-	-	-
Unrecognised past service cost	-	-	-
Net liability	<u>22,170</u>	<u>43,100</u>	<u>21,600</u>
Amounts in the statement of financial position:			
liabilities	22,170	43,100	21,600
assets	-	-	-
Net liability	<u>22,170</u>	<u>43,100</u>	<u>21,600</u>

The amounts recognised in the Statement of Comprehensive Income are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Current service cost	8,700	4,800	6,600
Interest on obligation	5,500	3,800	3,700
Expected return on plan assets	(3,500)	(2,100)	(3,000)
Net actuarial losses (gains) recognised in year			
Past service cost	(11,100)	-	-
Losses (gains) on curtailments and settlements	-	-	-
Total pension cost recognised in the income statement	<u>(400)</u>	<u>6,500</u>	<u>7,300</u>
Actual return on plan assets	4,000	12,200	(11,470)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Benefit obligation at beginning of year	92,400	53,600	60,100
Current service cost	8,700	4,800	6,600
Interest cost	5,500	3,800	3,700
Plan participants' contributions	2,430	2,400	2,000
Past service costs	(11,100)	0	0
Actuarial (gains)/losses	(16,330)	28,800	(17,700)
Losses (gains) on curtailments	-	-	-
Liabilities extinguished on settlements	-	-	-
Benefits paid (including expenses)	(1,300)	(1,000)	(1,100)
Effect of exchange rate changes	-	-	-
Benefit obligation at end of year	<u>80,300</u>	<u>92,400</u>	<u>53,600</u>
<u>Analysis of defined benefit obligation</u>			
Plans that are wholly or partly funded	80,300	92,400	53,600
Plans that are wholly unfunded	-	-	-
Total	<u>80,300</u>	<u>92,400</u>	<u>53,600</u>

Changes in the fair value of plan assets are as follows:

	31 March 2011	31 March 2010	01 April 2009
	£000	£000	£000
Fair value of plan assets at beginning of year	49,300	32,000	39,470
Expected return on plan assets	3,500	2,100	3,000
Actuarial gains/(losses)	500	10,100	(14,470)
Business combinations	-	-	-
Assets distributed on settlements	-	-	-
Employer contribution (including BRASS matching)	3,700	3,700	3,100
Member contributions	2,430	2,400	2,000
Benefits paid (including expenses)	(1,300)	(1,000)	(1,100)
Effect of exchange rate changes	-	-	-
Fair value of plan assets at end of year	58,130	49,300	32,000

The Authority expects to contribute around £3.7m to this pension scheme in the year ending 31 March 2012 (£3.7m in the year ended 31 March 2011).

Plan assets at the year end (expressed as weighted averages)

<u>Percentage of plan assets by asset allocation</u>	31 March 2011	31 March 2010	01 April 2009
Equities	75.40%	75.60%	73.90%
Bonds	10.70%	5.70%	5.10%
Real Estate	8.20%	8.60%	8.90%
Other	5.70%	10.10%	12.10%
	100.00%	100.00%	100.00%
<u>Expected return on assets by asset allocation</u>	31 March 2011	31 March 2010	01 April 2009
Equities	7.60%	7.70%	7.20%
Bonds	4.95%	5.10%	5.40%
Real Estate	6.30%	6.40%	6.30%
Other	0.50%	0.50%	0.50%
	6.80%	6.71%	6.22%

Principal actuarial assumptions as at the end of the reporting period (expressed as weighted averages)

<u>Weighted average assumptions used to determine benefit obligations at:</u>	31 March 2011	31 March 2010	01 April 2009
Discount rate	5.50%	5.70%	6.80%
Rate of compensation increase *	4.50%	5.20%	4.80%
Rate of RPI price inflation	3.50%	3.70%	3.30%
Rate of CPI price inflation	2.75%	n/a	n/a
Rate of deferred pension increases	2.75%	3.70%	3.30%
Rate of pensions increases	2.75%	3.70%	3.30%

*allowance has been made for a pay freeze until 2013 and then increases of 4.5% pa thereafter.

<u>Weighted average assumptions used to determine net pension cost for the year ended:</u>	31 March 2011	31 March 2010	01 April 2009
Discount rate	5.70%	6.80%	5.90%
Expected long-term return on plan assets	6.71%	6.22%	7.23%
Rate of compensation increase	5.20%	4.80%	5.00%
Rate of RPI price inflation	3.70%	3.30%	3.30%
Rate of CPI price inflation	n/a	n/a	n/a
Rate of deferred pension increases	3.70%	3.30%	3.30%
Rate of pensions increases	3.70%	3.30%	3.30%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:	31 March 2011	31 March 2010	01 April 2009	
Male age 65 (current life expectancy)	Pension under £8,500 pa or pensionable pay under £30,000 pa	19.8	19.8	19.8
	Others	21.5	21.5	21.5
Male age 45 (life expectancy at age 65)	Pension under £8,500 pa or pensionable pay under £30,000 pa	22.2	22.2	22.2
	Others	23.7	23.7	23.7
Female age 65 (current life expectancy)	Pension under £3,000 pa or pensionable pay under £30,000 pa	21.7	21.7	21.7
	Others	22.7	22.7	22.7
Female age 45 (life expectancy at age 65)	Pension under £3,000 pa or pensionable pay under £30,000 pa	23.2	23.2	23.2
	Others	24.2	24.2	24.2

To develop the expected long-term rate of return on assets assumption, Mercers considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.23% assumption for the year ended 31 March 2008, 6.22% for the year ended 31 March 2009, 6.71% for the year ended 31 March 2010 and 6.80% for the year ended 31 March 2011.

Amounts for the current year and previous four years are as follows:	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
	£000	£000	£000	£000	£000
Benefit obligation at the end of year	80,300	92,400	53,600	60,100	39,160
Fair value of plan assets at end of year	58,130	49,300	32,000	39,470	37,460
Surplus/(deficit)	(22,170)	(43,100)	(21,600)	(20,630)	(1,700)
Difference between expected and actual return on scheme assets:					
amount (£ '000)	(3,100)	10,100	(14,470)	(4,400)	1,300
percentage of scheme assets	5%	20%	(45%)	(11%)	3%
Experience gains and losses on scheme liabilities:					
amount (£ '000)	0	(100)	800	(8,570)	630
percentage of scheme liabilities	0%	0%	1%	(14%)	2%

The actuarial update as at 31 March 2011 showed a decrease in the shortfall from £43,100,000 to £22,170,000.



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