

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

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# **British Transport Police**

Statement of Accounts for the year ended 31 March 2007

*Ordered by the House of Commons to be printed on  
15 November 2007*

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## Introduction

These audited financial statements are for the year ended 31 March 2007, and have been prepared using applicable accounting standards on an ongoing basis.

The accounts consist of:

### ***Income and Expenditure Account***

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

### ***Statement of Total Recognised Gains and Losses***

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

### ***Balance Sheet***

Summarises all of the assets and liabilities of the BTPA and presents the Authority's position as at 31 March 2007.

### ***Cash Flow Statement***

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

These accounts include a comparison with the accounts for 2005-06.

Accounting policies and explanatory notes form part of the accounts.

## Statutory Background

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

## History of BTP

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

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

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

### Principal Activities

BTP is the national police force for the railways, providing a policing service to Network Rail, rail and freight operators, their staff and their passengers throughout England, Wales and Scotland. It is also responsible for policing the London Underground System, the Docklands Light Railway, the Midland Metro Tram System and Croydon Tramlink. These rail businesses provide a transport service to some five million people every day.

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

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

This will be achieved by:

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

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

### Operational Performance during 2006-07

British Transport Police (BTP) met all of its 11 operational targets in 2006-07. This is a tremendous achievement, and is the third consecutive year that BTP has done this. The table overleaf outlines performance against these targets (2005-06 performance is not shown as different targets applied for that year).

Violent crime fell by 4% on Britain's railways in 2006-07 and overall crime was down for the second year running.

Robberies fell by 10%, whilst thefts of passenger property were down 6%, building on a 16% reduction the previous year.

For the fourth year, crimes such as obstructing trains and endangering safety (route crime) were down. Combating this category of crime, which not only endangers life, but causes extensive disruption to the network, is a key partnership activity. The Rail Safety and Standards Board reported a similar decrease in train obstructions in their review of 2005-06.

Britain's railways are a low crime environment, particularly when it comes to serious crime, but perceptions often contradict that. The latest National Passenger Survey (Autumn 2006) shows that the most pressing concern amongst passengers is that of anti-social behaviour.

Anti-social behaviour has been a specific target in BTP's annual policing plans since 2003-04 and this year was down by 12%.

## Policing Plan results – operational targets

| Objective                           | 2006-07 Target  | Result                               |
|-------------------------------------|---|--------------------------------------|
| <b>Violence and Sexual Offences</b> | <i>To protect the travelling public and rail staff by detecting at least 46% of all violence and sexual offences.</i>                               | <b>54%<br/>ACHIEVED</b>              |
| <b>Staff Assaults</b>               | <i>To protect staff on the railways by detecting at least 46% of all assaults on staff.</i>   | <b>51%<br/>ACHIEVED</b>              |
| <b>Hate Crime</b>                   | <i>To safeguard rail staff and passengers by detecting at least 42% of all hate crimes.</i>   | <b>49%<br/>ACHIEVED</b>              |
| <b>Robbery</b>                      | <i>To combat robbery on the rail network by detecting at least 34% of all robberies.</i>  | <b>36%<br/>ACHIEVED</b>              |
| <b>Anti-Social Behaviour</b>        | <i>To combat disorder on the railway by bringing at least 13,800 offenders to justice for anti-social behaviour offences.</i>                       | <b>18,013 offenders<br/>ACHIEVED</b> |
| <b>Theft of Passenger Property</b>  | <i>To protect passenger's belongings by reducing the amount of theft of passenger property offences by 5%.</i>                                      | <b>6%<br/>ACHIEVED</b>               |
| <b>Route Crime</b>                  | <i>To work in partnership with the railway industry in combating vandalism on the railway by detecting at least 12% of all route crimes.</i>        | <b>12%<br/>ACHIEVED</b>              |
| <b>Fatality Management</b>          | <i>To conclude police activity which disrupts train movement within an average of 90 minutes from receiving a report of a fatal incident.</i>       | <b>79 minutes<br/>ACHIEVED</b>       |
| <b>Quality of Service</b>           | <i>To provide a victim-focused service by ensuring that the overall satisfaction of victims of crime on the railway is at least 79%.</i>            | <b>80%<br/>ACHIEVED</b>              |
| <b>Football Banning Orders</b>      | <i>To combat football hooliganism on the railway by applying for Football Banning Orders in at least 85% of relevant football-related offences.</i> | <b>100%<br/>ACHIEVED</b>             |
| <b>Graffiti</b>                     | <i>To prevent graffiti on the railway by detecting at least 599 graffiti offences.</i>  | <b>838 detections<br/>ACHIEVED</b>   |

With the soaring price of copper on world markets, theft of cable emerged as a serious problem for the rail industry, as it did for telecommunications providers and other utilities in 2005–06.

In January 2007, BTP brought together practitioners from a variety of industries to share their experience and best practice as part of an overall strategy to combat cable theft, known as Operation Drum.

As part of crackdowns on thefts, vehicles have been seized and environmental powers have been used to arrest those found burning cable. Network Rail helicopters operate to protect storage areas and identify thieves, and helicopter-borne Automatic Number Plate Recognition has also been used for the first time.

A notable success was achieved with the conviction in February 2007 of three men in Leeds. Three men from Doncaster were arrested after large quantities of stripped copper cable were discovered at their homes. Having pleaded guilty to conspiracy to handle stolen goods, one was gaoled for two and a half years, another for 21 months and a third was given a 12 month suspended sentence and 200 hours community service.

Two years after the 7 July attacks in London, the terrorist threat remains severe, meaning that an attack is highly likely. Counter terrorism activity continues to be a routine, but key, activity for all officers.

Working with key partners, such as rail staff, management and security agencies, a key part of BTP activity within the rail environment is the use of stop and search powers under Section 44 of the Terrorism Act 2000. BTP carried out some 30,000 stops under Section 44 last year, almost as many as every other police force combined.

A large proportion of these are undertaken by a team of dedicated officers within the Counter Terrorism Proactive Unit (CTPU). This means that they are experienced, very well briefed and consistent in their application of the power. Their activity is closely monitored, something that is extremely important, given the sweeping nature of Section 44 power and the inherent danger of alienating parts of the community if it is used inappropriately.

BTP has put great emphasis on reaching out to communities and every encounter with a member of the public, including Section 44 stops, is an opportunity to build trust and instil confidence that they can count on us to treat everyone equally and keep members of all communities safe.

This was recognized by the Muslim Safety Forum in 2007 when their Chairperson, Azad Ali, described BTP's approach as 'the best practice model.' He went on to say that 'There has been a large cultural shift within the BTP, which has contributed to this success'.

The figures show the potential for disruption. Around a quarter of a million unattended items are reported each year. The first line of assessment is rail staff, who are trained to apply a simple evaluative tool devised by BTP and known as the "HOT" protocol. That cuts down to around 3,000 the number of items reported as suspicious to BTP. Of those, a third require BTP action at the scene and BTP clears the vast majority of those with minimum disruption. On average, BTP requests EOD (bomb disposal) support only twice a year.

A similar benefit can be seen from the way BTP deals with bomb threats. Like reports of unattended items, these increase dramatically at times when there is a highly publicised terrorist event. Since 1991, BTP has dealt with over 10,000 anonymous threats. Using a unique process of categorisation, only 65 have resulted in station closures and evacuation, and of those, 35 proved to be real attacks.

As the railways are an open mass transit system, one of the key elements in security is staff and public vigilance, and with the current threat level indicating that another attack is likely, the importance of keeping up staff, police and public vigilance is paramount and something that has to be worked at constantly.

### **Financial Performance in 2006-07**

2006-07 saw the BTPA budget increase significantly by £14m (9%). The extra funding was provided to ensure that BTPA could achieve its objectives as set out in the BTPA 2005-08 Strategic Plan and meet a range of unavoidable costs such as inflationary cost rises and increased depreciation charges. Projects and initiatives within the Plan included the implementation of the Centralised Crime Recording Centre in Cardiff and the specialised Counter Terrorism Unit in London. These were funded in 2006-07 in addition to meeting the full year costs of projects which were started in the previous year.

The requirement in 2006-07 to both complete the improvement programme as set out in the 2005-08 Strategic Plan, and provide resources to achieve all eleven of its operational targets in the 2006-07 Policing Plan, required tight budgetary control across the whole Force. Significant improvements in financial management in the current year enabled BTPA to also absorb additional costs of £2.5m resulting from an increased number of major crimes, the train accident in Cumbria and other expenditure, which was not funded by the industry.

The final outturn for the BTPA was an overspend of £4.3m. Within this amount, £4.6m is a direct result of the application of the FRS17 accounting standard in respect of retirement benefits. The Treasury has now agreed that the FRS17 charges do not need to be passed onto the industry and are to be accounted for as part of a pension fund liability of the Force. Therefore FRS17 will have no impact on the Force budget or on its general reserves and can be excluded from the charges to

the rail industry. This reduces the operating underspend to £0.3m (0.2% of funding). Other positive changes in accounting rules relate to specific capital grant funding which is now classed as operational income. In future the Force will be allowed to offer specific capital gains against depreciation charges thereby releasing funds for reinvestment

A successful regime of tight financial control, assisted by the accounting changes (above) has enabled BTPA to reduce its cumulative general reserve deficit from £1.3m to only £0.1m at the end of 2006-07. This has allowed BTPA to start the new financial year 2007-08 in a much better position with a minimal deficit requirement.

Capital Expenditure for the year was fully funded by Grant in Aid from the DfT and specific capital grants from the Home Office. This funding relates to replacing and upgrading programmes for the Force's Fleet, Information, Communications and Technology and Estates with the objective to equip the Force with fit for purpose infrastructure.

## Future Developments

### Operations

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

- **Counter Terrorism:** the Counter Terrorism Unit continues to operate under great pressure and needs to maintain response capability to ensure that BTP can minimise disruption to the rail network. This is being achieved through a risk management approach to bomb threats and suspect packages. The Unit will also continue to deploy proactive high visibility patrols and the use of technology, dogs and stop and search powers to disrupt potential hostile activity whilst providing reassurance to the travelling public and staff. BTP expects to continue operating at a very high level of threat for the foreseeable future.
- **Call Handling:** BTP has plans in place to enhance capability for call handling. Approval has been obtained to create a new control room and call handling centre in order to rationalise control rooms, and provide a facility to deal with non urgent calls. This will improve our call handling and incident management ability over the next two years. In the interim demand is increasing and pressure on the existing control rooms is growing. Although performance in the Force control room has increased dramatically, there continues to be a need for short term investment in resources to meet the increasing demands.
- **Community Engagement and Partnerships:** BTP has developed some excellent community links and is continuing to work with communities to understand the impact of policing on them. We are setting up a National Independent Advisory Group and ensuring that community impact assessments are carried out when any major policing activity is planned. BTP has reviewed relationships with crime and disorder partnerships and has produced an Anti Social Behaviour Strategy.
- **Complementary policing:** BTP will continue to promote the Railway Safety Accredited Scheme with the aim of increasing the number of accredited companies in the next year. We will continue to develop the use of Police Community Support Officers and Special Constables to increase our overall visibility.
- **Neighbourhood policing:** BTP has developed a number of pilot neighbourhood policing sites and Areas have been encouraged to develop neighbourhood policing wherever possible. As a result Neighbourhood policing is now in place in parts of each Area of the Force and has done a lot to develop local partnerships and provide a dedicated visible presence in those localities. BTP see this as an excellent way of delivering local policing and intend to continue to roll out Neighbourhood policing wherever resources allow.
- **Events policing:** With the opening of Wembley there is a large increase in the number of events BTP have to police. Football policing in general is also putting an extra demand on resources and the Force's planning of events are co-ordinated to ensure the appropriate and effective use is made of resources and the safety of both public and staff is given the highest priority. We

are looking to reduce serious incidents related to football and increase the number of football banning orders obtained. Planning has also started for the policing of the Olympics in 2012.

- Managing fatalities and route crimes. BTP will continue to work with the Industry to minimise disruption to the rail network. Through partnership groups and direct liaison we continue to tackle route crime and act as the point of contact for Network Rail with regard to use of helicopters to tackle route crime and cable theft. Fatality management will continue to be a key priority for the Force in managing disruption.

### Staffing

BTP's future staffing plans for 2007-08 include:

- Conducting a pay and grading review to ensure that BTP's salary structures are competitive and comply with Equal Pay legislation;
- The harmonisation of Police Officer terms and conditions with the Police Negotiating Board (PNB);
- Continuing the implementation of the Duty Management System (DMS) with the objective of enabling accurate rostering and operational deployment;
- Implementation of the Training Administration System (TAS) and Health and Safety (H&S) modules within the National Strategy Police Information System (NSPIS) HR capacity.

### 2007-08 Budget

At the March 2007 meeting of the BTPA, members voted unanimously to approve an additional £16.9m for the overground policing budget.

The settlement of some £187.7m for 2007-08 represents a ten per cent increase in the overground budget. The London Underground budget was agreed at £49.1m which is a 5% or £2.3m inflationary increase.

### Pensions

BTP has adopted FRS 17 (Retirement Benefits) in full. This has resulted in all the assets and liabilities for each defined benefit scheme run on BTP's behalf by Railways Pension Management Ltd being disclosed (see Note 26 to the accounts). The accounting policy for pensions is disclosed in Note 1.8 to the Accounts.

### Results for Year ending 31 March 2007

This is the third year that accounts have been prepared, meeting the requirements of the Railways and Transport Safety Act 2003. The Income and Expenditure Account for the year is shown on page 32 and the Statement of Total Recognised Gains and Losses on page 33. The Balance Sheet and Cash Flow Statement are shown on Pages 34 and 35 respectively.

### Going Concern

The opening balance sheet as at 1 April 2006 shows net pension liabilities of £109.4m. This is due to full implementation of the financial reporting standard (FRS17) requiring the costs and benefits of pension schemes relevant to BTPA to be reflected in the statement of accounts.

The net liability of the scheme on 31 March 2007 was £30.2m, a decrease of £79.2m in the year. The decrease is due to an actuarial gain during the year. This liability is accounted for as a negative pension reserve. This sum therefore has no impact on the underlying basis for meeting BTPA's current and ongoing pension liabilities. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### Post Balance Sheet Events

A new charging model for Train Operating Companies came into effect from 1 April 2007. Currently four companies are disputing the new charges, which total £7.2m per annum and have suspended all payments to BTPA temporarily until the disputes are resolved. The Force currently has sufficient cash resources to meet its outgoings and will closely monitor the cash position until the matter is resolved. In addition the DfT as a sponsoring body has agreed to assist BTPA should the Force require additional cash resources as a result of these disputes.

These financial statements were authorised for issue on 12 November 2007.

### Charitable and Political Donations

The Authority and Force makes no political or charitable donations.

### Research & Development

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

Some notable examples include:

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

### Communications and Employee Involvement

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

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

- Promotion of the Key Workers living scheme;
- Employee Assistance Programme;
- Developing the Occupational Health Service to include employee health initiatives, promotion and prevention;

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

### Equality and Diversity

BTP strives to be an Employer of Choice by having a workforce which reflects the community we serve. This is reflected at a strategic level through objectives set for recruiting and progressing Black,

Minority, Ethnic and women police officers, and through ensuring Diversity is embedded in everything we do.

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

During 2006-07, we have:

- Produced a Combined Equality Scheme (Disability, Gender and Race) 2007-10, after extensive internal and external consultation;
- Introduced a Diversity Strategy 2006-08;
- Run training and development courses catered towards the specific needs of under-represented groups, such as Springboard and Ackroyd development training for female police officers and staff, and supported the delivery of the diversity and professional practise CLPD module;
- Run familiarisation events and application advice seminars aimed at potential new officers, and under-represented groups in force for roles within the Dog section, Specialist Crime, and the Channel Tunnel Rail Link (CTRL);
- Launched the Disability Equality Support Association (DESA, and the Association of Muslim Police (AMP);
- Continued financial and organisational support for BTP's support groups; Support Association for Minority Ethnic Staff (SAME); Disability Equality Support Group (DESA); Women's Strategic Forum (WSF); Association of Muslim Police (AMP), the LGBT support group (LINK) and Christian Police Association (CPA);
- Continued engagement with support groups, external networks and Police Authority;
- Supported Area Diversity Initiatives;
- Ensured policies are reviewed for their impact on diversity across all six strands, including involvement of support groups;
- Participated in the Stonewall workplace equality Index;
- Won the diversity category in the Public Sector People Managers' Association (PPMA) awards. The submission highlighted the excellent work BTP have been doing placing our student officers and PCSOs into community projects as part of their initial training;
- Conducted research into factors that affect the retention of employees within BTP;
- Developed the diversity intranet site.

### **Auditors**

The accounts of the Authority are audited by the Comptroller and Auditor General (C&AG) under the Government Resources and Accounts Act 2000. The cost of the audit is £110,000. The Comptroller and Auditor General does not undertake any non audit work for BTPA.

### **Provision of Audit Information**

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

### **Environmental Management Policy**

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

Specifically, through the capital and property maintenance programmes, we have:

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

However, BTP is now, as a NDPB required to adopt the sustainability targets set by Government and to have its performance reported by the Department for Transport to the Sustainability Development Commission. BTP's environmental strategy will require adaptation to reflect the vision for the Government Estate which (as far as is applicable to the BTP estate) is a sustainably managed estate that is:

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

Targets have been set, against which we will be monitored in respect of:

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

To take this forward, BTP is now working directly with the Department for Transport in establishing its base position in respect of a wide range of measures and is being supported by the Carbon Trust in developing both what we measure and how we develop our approach. The target is to be able to report BTP's position in the next financial year.

### **Social & Community Issues**

During the past year BTP has continued to build on its achievements in community engagement to enhance the level of interaction with its community. Since the events of 7 July 2005 BTP has continued to use its stop and search powers (including Section 44 of Terrorism Act) to safeguard the railway network, rail staff and the travelling public. While the exercise of powers under stop and search is recognised as a vital tool in combating terrorism, its use has been viewed with a degree of suspicion by a number of minority communities, including the Muslim community. To reassure these communities, BTP carried out various initiatives including producing a multi-lingual DVD to inform people of their rights when they are being stopped and searched, and allowing community members observe BTP officers carrying out stops and searches. The contribution of this work in promoting greater understanding was recognised by the Muslim community and earlier in the year the Chairperson of the Muslim Safety Forum, Azad Ali thanked BTP for the work they have been carrying out: *'BTP are the best practice model. There has been a large cultural shift within BTP which has contributed to this success'*.

BTP also continued to put in place more formalised structures into its community engagement processes. After the success of its North Western Area Community Forum and its Pan-London Independent Advisory Network, BTP decided to set up a second Community Forum in the North Eastern Area and launch a National Independent Advisory Group (NIAG).

The NIAG was launched in July 2006 and its membership was selected to ensure that it takes into account all of the six strands of diversity and the large geographic area that BTP covers. The members of the NIAG will be asked for their views on various issues as well as BTP policy and procedures. With the benefit of their views and assistance BTP will be in a better position to ensure that it continues to understand and respond to the needs of the various communities it serves.

Because of BTP's national remit engaging with communities is always going to be a challenging task. However through the continued work of various departments including the Community, Engagement and Partnership Unit, BTP will continue to work with various community groups to build new and sustainable consultative and communication links both at a local and strategic level.

**Payment of Creditors**

BTP observes the principles of the Confederation of British Industry "Prompt Payment" Code and aims to pay all approved invoices in accordance with its stated payment terms. These are within 30 days of receipt of a valid invoice; in 2006-07 this was 56% (2005-06 58%).

**Signature****Accounting Officer**

## British Transport Police Authority

### Remuneration Report

#### Remuneration Policy

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

#### Terms of reference

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

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

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

To decide and negotiate:

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

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

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

The HR&R Committee holds formal scheduled meetings – four were held in 2006-07. Four meetings are scheduled for 2007-08.

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

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

#### Members and Senior Officers – Appointments and Service Contracts

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

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

Accordingly the current composition of the BTPA is as follows:

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

Table 1 below provides details of Appointment and Service contracts for BTPA Members and Senior Officers for 2006-07.

**Table 1 – Appointment/Service Contracts**

| <b>Members</b>  | <b>Commencement of Contract</b> | <b>Term expiry date as at 31 March 2007</b> | <b>Notice period required</b> | <b>Main role</b>                 |
|---|---------------------------------|---|-------------------------------|----------------------------------|
| Sir Alistair Graham   | 02-02-2004                      | 30-06-2008                                  | 3 months                      | Chairman                         |
| Sir David O’Dowd<br>CBE, OStJ, QPM, DL, DipSoc, BA, MSc, DSc(Hon), CCMI | 01-07-2004                      | 30-06-2007                                  | 3 months                      | Deputy Chair                     |
| Lew Adams OBE   | 01-07-2004                      | 30-06-2006                                  | 3 months                      | Employee Matters                 |
| Michael Brown MVO   | 01-07-2004                      | 30-06-2008                                  | 3 months                      | Industry Representative          |
| Colin Foxall CBE  | 04-07-2005                      | 03-01-2009                                  | 3 months                      | Passenger Interests & Wales      |
| Robin Gisby   | 01-07-2004                      | 30-06-2006                                  | 3 months                      | Industry Representative          |
| Michael Holden  | 01-07-2004                      | 30-06-2008                                  | 3 months                      | Industry Representative          |
| Jeroen Weimar   | 01-07-2006                      | 30-06-2010                                  | 3 months                      | Industry Representative          |
| James King  | 01-07-2004                      | 30-06-2008                                  | 3 months                      | Passenger Interests and Scotland |
| Christine Knights   | 01-07-2004                      | 30-06-2008                                  | 3 months                      | Passenger Forum representative   |
| Suzanne May OBE   | 01-07-2004                      | 30-06-2006                                  | 3 months                      | Passenger Interests              |
| Ray O’Toole   | 17-10-2005                      | 16-10-2009                                  | 3 months                      | Industry Interests               |
| Wendy Towers  | 01-07-2004                      | 30-06-2008                                  | 3 months                      | Passenger Interests              |

Sir David O’Dowd’s contract has since been extended to 30 June 2011. Lew Adams, Suzanne May and Robin Gisby’s contracts have been extended to 30 June 2010. Members do not receive termination payments when they leave the authority.

Table1 – Appointment/Service Contracts (continued)

| <b>Senior Officers</b>      | <b>Commencement of Contract</b> | <b>Term expiry date as at 31 March 2007</b> | <b>Notice period required</b> | <b>Main role</b>                                |
|-----------------------------|---------------------------------|---|-------------------------------|---|
| Richard Hemmings            | 01-07-2004                      | 30-06-2010                                  | 3 months                      | Chief Executive & Clerk                         |
| Deborah McGovern            | 01-07-2003                      | Permanent appointment                       | 3 months                      | Assistant Clerk                                 |
| Elizabeth Pike              | 01-06-2004                      | 31-05-2010                                  | 1 month                       | Treasurer                                       |
| Tom Phillips                | 06-12-2006                      | n/a   | n/a                           | Interim Treasurer                               |
| <b>Chief Officers Group</b> | <b>Commencement of Contract</b> | <b>Term expiry date as at 31 March 2007</b> | <b>Notice period required</b> | <b>Main role</b>                                |
| Ian Johnston                | 01-05-2004                      | 01-09-2009                                  | 6 months                      | Chief Constable                                 |
| Andrew Trotter              | 05-01-2004                      | 04-01-2008                                  | 3 months                      | Deputy Chief Constable                          |
| Susan Budden                | 01-08-2003                      | Resigned<br>19-11-2006                      | n/a                           | Director, Finance & Corporate Resources         |
| Robert Coomber              | 03-12-2006                      | 30-04-07                                    | n/a                           | Interim Director, Finance & Corporate Resources |
| David McCall                | 08-03-2004                      | Permanent appointment                       | 3 months                      | Assistant Chief Constable – Scotland            |
| Linda Scott                 | 16-01-2006                      | Permanent appointment                       | 3 months                      | Director, HR                                    |
| Paul Robb                   | 01-04-2002                      | Permanent appointment                       | 3 months                      | ACC (Crime)                                     |
| Alan Pacey                  | 09-01-2006                      | Ongoing                                     | N/A                           | ACC (Operations)<br>Temporary Appt              |

### Remuneration of Members and Senior Officers

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

The general factors taken into consideration are:

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

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

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

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

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

|                             | Salary Bands<br>2006-07 | Value of<br>'non-cash'<br>benefits<br>2006-07 | Salary Bands<br>2005-06 | Value of<br>'non-cash'<br>benefits<br>2005-06 |
|-----------------------------|-------------------------|---|-------------------------|---|
|                             | £000s                   | £   | £000s                   | £   |
| <b>Members</b>              |                         |   |                         |   |
| J Alistair Graham           | 30.00–35.00             |   | 30.00–35.00             | 0   |
| David O'Dowd                | 20.00–25.00             |   | 20.00–25.00             | 0   |
| Lew Adams                   | 15.00–20.00             |   | 15.00–20.00             | 0   |
| Michael Brown               | 10.00–15.00             |   | 10.0–15.0               | 0   |
| Colin Foxall                | 15.00–20.00             |   | 0.0                     | 0   |
| Robin Gisby*                | 0.0                     |   | 0.0                     | 0   |
| Michael Holden              | 10.00–15.00             |   | 0.0                     | 0   |
| James King                  | 25.00–30.00             |   | 20.00–25.00             | 0   |
| Christine Knights           | 15.00–20.00             |   | 20.00–25.00             | 0   |
| Jeroen Weimar               | 10.00–15.00             |   | n/a                     | n/a   |
| Suzanne May                 | 10.00–15.00             |   | 10.00–15.00             | 0   |
| Raymond O'Toole             | 10.00–15.00             |   | 5.00–10.00              | 0   |
| Wendy Towers                | 15.00–20.00             |   | 15.00–20.00             | 0   |
| <i>*No salary taken</i>     |                         |   |                         |   |
| <b>Senior Officers</b>      |                         |   |                         |   |
| Richard Hemmings            | 100.00–105.00           |   | 100.00–105.00           | 0   |
| Deborah McGovern            | 60.00–65.00             |   | 55.00–60.00             | 0   |
| Elizabeth Pike              | 45.00–50.00             | 1,700   | 45.00–50.00             | 1,600   |
| Tom Phillips                | Contractor              |   | n/a                     |   |
| <b>Chief Officers Group</b> |                         |   |                         |   |
| Ian Johnston                | 190.00–195.00           | 6,800   | 175.00–180.00           | 7,200   |
| Andrew Trotter              | 145.00–150.00           | 9,720   | 135.00–140.00           | 8,100   |
| Susan Budden                | 65.00–70.00             | 1,320   | 95.00–100.00            | 1,300   |
| Robert Coomber              | Contractor*             |   | n/a                     |   |
| David McCall                | 100.00–105.00           | 7,500   | 105.00–110.00           | 8,100   |
| Linda Scott                 | 95.00–100.00            | 1,320   | 15.00–20.00             | 1,300   |
| Paul Robb                   | 100.00–105.00           | 6,200   | 105.00–110.00           | 6,500   |
| Alan Pacey                  | 100.00–105.00           | 2,700   | 90.00–95.00             | 8,100   |

£75,000 was paid to Solace Enterprises for the services of Robert Coomber between 4 December 2006 and 31 March 2007, and £12,000 was paid to PriceWaterhouseCoopers for the services of Tom Phillips.

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

**Salary**

Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. In 2005-06 Andrew Trotter's salary as stated above included 12.5% performance pay. Alan Pacey and Susan Budden's salaries included 7.5% performance pay. In 2006-07 Andrew Trotter received 10% of his salary as performance pay.

**Benefits in kind**

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

**Pensions**

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

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

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

**Cash Equivalent Transfer Value (CETV)**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

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

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

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

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

**Increase in Pension in Year**

| <b>Real Increase in Pension 2006-07</b> | <b>Accrued Pension (Bands)</b> | <b>Lump Sum at 60 (Bands)</b> |
|---|--------------------------------|-------------------------------|
| <b>Authority Officers</b>               | <b>£000s</b>                   | <b>£000s</b>                  |
| Richard Hemmings                        | 0.0–2.5                        | 0.0–2.5                       |
| Deborah McGovern                        | 0.0–2.5                        | 0.0–2.5                       |
| Elizabeth Pike                          | 2.5–5.0                        | 0.0–2.5                       |
| Tom Phillips                            | n/a                            | n/a                           |
| <b>Chief Officers Group</b>             |                                |                               |
| Ian Johnston                            | 0.0–2.5                        | 0.0–2.5                       |
| Andrew Trotter                          | 0.0–2.5                        | 0.0–2.5                       |
| Susan Budden                            | 0.0–2.5                        | 0.0–2.5                       |
| Robert Coomber                          | n/a                            | n/a                           |
| David McCall                            | 0.0–2.5                        | 0.0–2.5                       |
| Linda Scott                             | 25.0–27.5                      | 25.0–27.5                     |
| Paul Robb                               | 2.5–5.0                        | 0.0–2.5                       |
| Alan Pacey                              | 2.5–5.0                        | 2.5–5.0                       |

**Pension values at 31st March 2007**

| <b>Pension Value at 31/3/07</b> | <b>Accrued Pension (Bands)</b> | <b>Lump Sum at 60 (Bands)</b> |
|---------------------------------|--------------------------------|-------------------------------|
| <b>Authority Officers</b>       | <b>£000</b>                    | <b>£000</b>                   |
| Richard Hemmings                | 2.5–5.0                        | 2.5–5.0                       |
| Deborah McGovern                | 2.5–5.0                        | 5.0–7.5                       |
| Elizabeth Pike                  | 2.5–5.0                        | 2.5–5.0                       |
| <b>Chief Officers Group</b>     |                                |                               |
| Ian Johnston                    | 7.5–10.0                       | 7.5–10.0                      |
| Andrew Trotter                  | 7.5–10.0                       | 5.0–7.5                       |
| Susan Budden                    | 2.5–5.0                        | 2.5–5.0                       |
| Robert Coomber                  | n/a                            | n/a                           |
| David McCall                    | 5.0–7.5                        | 5.0–7.5                       |
| Linda Scott                     | 25.0–27.5                      | 27.5–30.0                     |
| Paul Robb                       | 60.0–62.5                      | 52.5–55.0                     |
| Alan Pacey                      | 37.5–40.0                      | 47.5–50.0                     |

## Cash Equivalent Transfer Values (CETV)

|                             | CETV                            |                                   |                                 |
|-----------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                             | Value at<br>01/04/2006<br>£000s | Real Increase<br>2006-07<br>£000s | Value at<br>31/03/2007<br>£000s |
| <b>Officers</b>             |                                 |                                   |                                 |
| Richard Hemmings            | 51                              | 34                                | 85                              |
| Deborah McGovern            | 28                              | 0                                 | 28                              |
| Elizabeth Pike              | 8                               | 33                                | 41                              |
| <b>Chief Officers Group</b> |                                 |                                   |                                 |
| Ian Johnston                | 142                             | 66                                | 208                             |
| Andrew Trotter              | 133                             | 48                                | 181                             |
| Susan Budden                | 40                              | 7                                 | 47                              |
| Robert Coomber              | n/a                             | n/a                               | n/a                             |
| David McCall                | 94                              | 58                                | 152                             |
| Linda Scott                 | 5                               | 394                               | 399                             |
| Paul Robb                   | 1,304                           | 122                               | 1,426                           |
| Alan Pacey                  | 814                             | 107                               | 921                             |

Signature

Accounting Officer

## Statement of Authority Members' Responsibilities

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

The Authority has amongst others, the following responsibilities:

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

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

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

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

### **Sir Alistair Graham – Chairman**

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

Managing Director, Belford Hall Management Company Limited

Honorary Vice – President, Opera North.

Non Executive Director: Durham County Cricket Club Holdings Ltd

Authority Member responsibility: Police Service Agreements Liaison  
Strategy, Budget & Performance Monitoring Committee (Chair)

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

Sir David also holds the following appointments – Consultant with Northgate Information Solutions Limited (until September 2007); Law Enforcement Advisor with Control Risk Ltd (until March 2008). In a voluntary capacity Sir David is Chairman of Victim Support Northamptonshire; Governor of the University of Northampton and member of the court of the University of Leicester. He is also a Deputy Lord Lieutenant for the County of Northamptonshire.

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

**Lew Adams OBE – Employee Matters**

Lew is a member of the pension management committee of the British Transport Police Force Superannuation Fund, and a member of Friends of the National Railway Museum, York.

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

**Michael Brown MVO – Industry Representative**

Michael is a Director of London Underground Limited.

Authority Member responsibility: Human Resources & Remuneration Committee  
Professional Standards  
London North Area  
Counter Terrorism

**Colin Foxall CBE – Passenger Interests and Wales**

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

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

**Robin Gisby – Industry Representative**

Robin is an employee of Network Rail.

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

**Michael Holden – Industry Representative**

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

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

**James King – Passenger Interests and Scotland**

James is an employee and director of Marketing Principals International Limited. James is also a member of both Passenger Focus and the Public Transport Users' Committee for Scotland, the latter commencing 1 April 2007.

Authority member responsibility: Stakeholder Relations & Communication Strategy Committee (Chair)  
 Strategy, Budget & Performance Monitoring Committee  
 Scotland Area  
 Neighbourhood Policing  
 Anti-social Behaviour  
 Diversity – (External)  
 Consultation/Communication

#### **Christine Knights – Passenger Focus Representative**

Christine is a Member of the Passenger Focus.

Authority Member responsibility: Human Resources & Remuneration Committee (Chair)  
 Strategy, Budget & Performance Monitoring Committee  
 North East Area  
 Violent Crime  
 Diversity (internal employment & gender)  
 HR Strategy

#### **Jeroen Weimar – Industry Representative**

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

Authority Member responsibility: Strategy, Budget & Performance Monitoring Committee  
 Audit & Corporate Governance Committee  
 Wales & Western Area  
 Staff Assaults

#### **Suzanne May OBE – Industry Interest**

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

Authority Member responsibility: Audit & Corporate Governance Committee  
 Stakeholder Relations & Communication Strategy Committee  
 London Underground Area  
 Neighbourhood Policing  
 Graffiti  
 Member Development

#### **Raymond O’Toole – Industry Interest**

Chief Operating Officer, National Express Co Limited

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

#### **Wendy Towers – Passenger interests**

Wendy is a Board member of the Security Industry Authority.

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

## Statement of Accounting Officer's Responsibilities

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

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

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

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

## Statement on Internal Control

### 1. Scope of Responsibility

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

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

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

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

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

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

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

- Conduct audits in accordance with BTP's risk priorities;
- Provide an annual report to the BTPA on the adequacy and effectiveness of BTP's system of internal control;

- Examine and report annually on the BTPA's risk management and Corporate Governance arrangements.

## **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in constant development and improvement during the year ended 31 March 2007 and up to the date of approval of the annual report and accounts complies with HM Treasury guidance.

## **3. Capacity to handle risk**

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

A Corporate Governance and Risk Management process has been in operation with the endorsement and supervision of the BTPA's ACG Committee and my Chief Officer Group (COG). The BTPA published its Risk Management Strategy, Policy and Standard Operating Procedures on 10 November 2006. Strategic Risk Management is a standing agenda item at Corporate Assurance Group (CAG) and Risk Committee meetings. These meetings are chaired by the Deputy Chief Constable (DCC), as the Chief Officer lead on Risk Management. For each risk, a Chief Officer is identified as the strategic lead who will engage at meetings with the tactical owners of relevant risks. Every quarter, the Risk Management Co-ordinator (RMC) submits the Strategic Risk Register (SRR) to the COG meeting to ensure that all Chief Officers are fully briefed on the risks they sponsor and for which they are accountable.

The BTPA considers all employees eligible as risk owners and encourages staff to identify both the positive and negative risks of the organisation. To embed risk management throughout BTP, the RMC held risk workshops where managers received guidance in the identification, assessment and management of risk. The responsibilities of tactical risk ownership are cascaded down to reflect 'local' knowledge, and all risk owners have received guidance by the RMC on the methods of risk assessment and reporting.

Each Chief Officer and Area Commander has appointed a Risk Representative to act as the single point of contact in their Portfolio or Area. The Risk Representatives assist the RMC to provide the necessary co-ordination and guidance of the Risk Management methodology and process.

BTP's Programme Management Office provides project and programme managers throughout BTP with one-to-one training and coaching in the BTP Project Management methodology and with assistance in setting up project management controls. Risk and Issue logs are incorporated into the in-house Project Management methodology, which the Programme Management Office has adapted from PRINCE2 methodology.

## **4. The risk and control framework**

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

- The quarterly ACG Committee, chaired by the BTPA, monitors BTP's system of internal control;
- A quarterly COG meeting, chaired by the Chief Constable ensures that the Chief Officers, as the sponsors of risks, have accountability for their mitigation;
- The monthly CAG, chaired by the DCC, which monitors and evaluates internal controls and enacts recommendations from the ACG Committee;

- The quarterly Risk Committee chaired by the DCC ensures that areas of significant risk are identified and analysed and quality assures the risk mitigation process.

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

The BTPA determined the risk appetite for BTP through a process of identifying key areas of impact and setting a tolerance level for each impact category. The proposed appetite was presented to CAG and the Risk Committee and endorsed and approved at the full meeting of the BTPA on 24 October 2006.

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

- Identification and assessment performed by each risk owner in terms of the probability and impact (inherent and residual) of the risk to BTP;
- Evaluation and assurance conducted at key meetings at which a risk register is examined for changes to the residual rating as a result of mitigating actions;
- Risk ranking on a 'Residual Risk Table' which places risks in descending order of risk score and prioritises discussion at meetings;
- External events potentially generating risks to BTP are identified through the environmental scanning function in the quarterly Strategic External Analysis document. This document informs the SRR and supports the Force Level 2 Strategic Assessment and Strategic Business Assessment, as required by the National Intelligence Model (NIM);
- Risk Implications have been added as a standing item to the paper templates for BTP's meetings. Authors are encouraged to consider and outline risks implications relating to the subject matter of their papers;
- Minute takers for Force level meetings capture the risks that emerge during each meeting and include these in the Minutes. Copies of the Minutes are sent to the RMC to action as necessary;
- For each individual project undertaken within BTP, the issue and risk management logs are set up and maintained in accordance with the in-house Project Management methodology;
- The RMC presents risk workshops to senior managers. This ensures that key staff are trained in BTP's Risk Management methodology and process;
- The Risk Register provides a facility for the identification of each risk with the strategic aims it affects and the budget bids submitted to fund mitigating actions;
- To ensure that fit for purpose policies are produced that are in line with National Legislation and Home Office Guidelines, BTP's Strategic Development Department has introduced Policy Assessment meetings. The Risk Co-ordinator, along with staff members from the Policy Co-ordination Unit and the Diversity Unit, attends Policy Screening Panel assessments where risks are identified graded and mitigating actions decided.

## 5. Review of effectiveness and Areas for Development

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

The BTPA's ACG Committee continues to provide an informed opinion on the effectiveness of the risk monitoring processes and whether reliance can be placed upon the BTP's internal control systems. The role of this Committee is also to keep under review and advise the BTPA on all matters relating to internal and external audit of the BTPA.

Throughout 2006, BTPA reviewed and updated its key systems, policies and processes, including Risk Management, Business Continuity, Procurement, Human Resources and Payroll. It has made progress in documenting key systems and introducing a more robust financial management and internal control processes. Two examples of systems that have recently been updated are the Payroll and eProcurement projects.

- The BTPA understood the necessity of procuring a replacement payroll system, which would deliver a more accurate and less error prone service. The old payroll system has difficulty in coping with all of BTP's current terms and conditions. The system was inflexible in the area of costing which caused numerous errors. To bring the new system and service about, the key risks of the project were identified and the whole project was managed through BTP's Programme Management Office using BTP's Project Management methodology.
- BTP's Procurement department set an objective for 2006-07 to reduce the cost of the transaction processes and develop a consistent and effective purchase process throughout BTP. The goal was to implement an eProcurement module in eFinancials which would provide a consistent process of control (use of cost centres and account codes) and efficiency (speed up the process of purchase order placement). The project's risks and issues were identified, prioritised and addressed through a project risk register and issue log. All user configurations were tested by the project team prior to roll out with the users given the necessary training.

The BTPA's internal auditors, PriceWaterhouseCoopers, have conducted assessments of the following:

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

The BTPA is pursuing a risk management implementation plan to implement good practice identified by the Institute of Internal Auditors (IIA) and Her Majesty's Inspectorate of Constabulary (HMIC). The plan has been ratified by the BTPA, COG and CAG. To further the aims of the plan, a RMC was recruited in July 2006, whose core work includes the following:

- Monitoring organisational processes for managing and mitigating identified risks and identifying new and emerging risks;
- Providing advice and guidance across BTP on all issues pertaining to risk management, including accurate identification, escalation, reporting and monitoring of risks;
- Giving guidance to the Risk Representatives across BTP on the co-ordination of the risk management process and methodology;
- Co-ordinating risk management papers to BTP's COG, CAG, Risk Committee and the BTPA's ACG Committee.

The RMC holds risk identification workshops which enable BTP's risk management process to be proactive in nature. BTP has an established risk management structure with a clear methodology and process. This includes Risk Registers at all levels, allowing bottom-up escalation of risks from the tactical, to the strategic levels of the business.

## Signature

Accounting Officer

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

I certify that I have audited the financial statements of the British Transport Police Fund for the year ended 31 March 2007 under the Railways and Transport Safety Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Railways and Transport Safety Act 2003 and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, certain information given in the Introduction, which comprises the sections on Financial Performance in 2006-07 and Future Developments, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if BTPA has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Introduction and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

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

## Opinions

### Audit Opinion

In my opinion:

- The financial statements give a true and fair view, in accordance with the Railways and Transport Safety Act 2003 and directions made thereunder by the Secretary of State, of the state of British Transport Police Authority's affairs as at 31 March 2007 and of its deficit for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Railways and Transport Safety Act 2003 and the Secretary of State's directions made thereunder; and
- Information given within the Introduction, which comprises the sections on Financial Performance in 2006-07 and Future Developments, is consistent with the financial statements.

### Audit 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.

### Emphasis of Matter

Without qualifying my opinion, I draw attention to the disclosures made in Note 28 concerning the BTPA's discussions with the Department for Transport about treatment of some £7.5 million related to historical Public Service user charges.

## Report

I have no observations to make on these financial statements.

*John Bourn*  
*Comptroller and Auditor General*

*Date*

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

**Income and Expenditure Account**  
for the year ended 31 March 2007

|  | Note | 31 March<br>2007<br>£000 | Restated<br>31 March<br>2006<br>£000 |
|--|------|--------------------------|--------------------------------------|
| <b>Income</b>                                  |      |                          |                                      |
| Trading income                                 | 2    | 180,503                  | 164,366                              |
| Government grants                              | 2    | 1,095                    | 785                                  |
|  |      | <u>181,598</u>           | <u>165,151</u>                       |
| <b>Operating expenditure</b>                   | 3    | <u>(195,856)</u>         | <u>(181,331)</u>                     |
| <b>Operating deficit</b>                       |      | (14,258)                 | (16,180)                             |
| Loss on disposal of fixed assets               |      | (397)                    | (536)                                |
| Notional cost of capital credit                | 4    | 1,285                    | 3,306                                |
| Deficit on ordinary activities before interest |      | (13,370)                 | (13,410)                             |
| Net Interest Payable                           | 12   | (22)                     | (84)                                 |
| Net Interest Receivable for pension schemes    | 26   | 10,400                   | 4,600                                |
| <b>Net Operating Deficit</b>                   |      | <u>(2,992)</u>           | <u>(8,894)</u>                       |
| Reversal of notional cost of capital credit    | 4    | (1,285)                  | (3,306)                              |
| <b>Net Deficit for the financial year</b>      |      | <u><b>(4,277)</b></u>    | <u><b>(12,200)</b></u>               |

The deficit for the financial year is transferred to reserves. Movements in reserves are set out in Note 15.

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

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

*Accounting policies and notes forming part of these accounts are on pages 35 to 54.*

**Statement of Total Recognised Gains and Losses**  
for the year ended 31 March 2007

|   |             | <b>31 March</b>      | <b>Restated</b>      |
|---|-------------|----------------------|----------------------|
|   |             | <b>2007</b>          | <b>31 March</b>      |
|   | <b>Note</b> | <b>£000</b>          | <b>2006</b>          |
|   |             | <b>£000</b>          | <b>£000</b>          |
| Deficit for the financial year  |             | (4,276)              | (12,200)             |
| Net Gain on revaluation of fixed assets                               | 15          | 128                  | 30                   |
| Actuarial Gain relating to the pension scheme                         | 26          | 83,760               | 27,010               |
| Total gains and losses recognised for the period                      |             | <u>79,612</u>        | <u>14,840</u>        |
| Prior year adjustment   |             |                      | 23,300               |
| <b>Total gains and losses recognised since the last annual report</b> |             | <b><u>79,612</u></b> | <b><u>38,140</u></b> |

The 2005/06 results reflect the inclusion of a £23.3m adjustment. £22.7m relates to a government support payment made in 2004/05 to offset part of the FRS17 pension liability, and £0.6m relates to an actuarial increase in the expected return on the pension asset. The cumulative surplus generated relates to 2004/05 and was recognised in the 2005/06 accounts as a prior year adjustment.

*Accounting policies and notes forming part of these accounts are on pages 35 to 54.*

## Balance Sheet as at 31 March 2007

|  | Note | £000     | 31 March<br>2007<br>£000 | £000     | Restated<br>31 March<br>2006<br>£000 |
|--|------|----------|--------------------------|----------|--------------------------------------|
| <b>Fixed Assets</b>  |      |          |                          |          |                                      |
| Intangible assets  | 5    | 1,040    |                          | 886      |                                      |
| Tangible assets  | 6    | 29,808   |                          | 24,830   |                                      |
|  |      |          | <b>30,848</b>            |          | <b>25,716</b>                        |
| <b>Debtors: amounts falling due after more than one year</b>   | 7    |          | 5,000                    |          | 10,000                               |
| <b>Current Assets</b>  |      |          |                          |          |                                      |
| Debtors: amounts falling due within one year                   | 8    | 22,788   |                          | 18,941   |                                      |
| Cash at bank and in hand                                       | 9    | 11,144   |                          | 5,357    |                                      |
|  |      | 33,932   |                          | 24,298   |                                      |
| <b>Liabilities</b>   |      |          |                          |          |                                      |
| Creditors: amounts falling due within one year                 | 10   | (28,101) |                          | (17,688) |                                      |
| <b>Net Current Assets</b>                                      |      |          | <b>5,831</b>             |          | <b>6,610</b>                         |
| <b>Total assets less current liabilities</b>                   |      |          | <b>41,679</b>            |          | <b>42,326</b>                        |
| <b>Creditors: amounts falling due after more than one year</b> | 11   | (5,000)  |                          | (10,110) |                                      |
| <b>Provisions for liabilities and charges</b>                  | 13   | (1,490)  |                          | (1,264)  |                                      |
| <b>Net assets excluding pension liability</b>                  |      |          | <b>35,189</b>            |          | <b>30,952</b>                        |
| <b>Pension Liability</b>                                       | 26   |          | <b>(30,200)</b>          |          | <b>(109,350)</b>                     |
| <b>Net assets including pension liability</b>                  |      |          | <b>4,989</b>             |          | <b>(78,398)</b>                      |
| <b>Financed by:</b>  |      |          |                          |          |                                      |
| General Reserve  | 15   |          | 26,117                   |          | 14,901                               |
| Revaluation Reserve  | 15   |          | 158                      |          | 30                                   |
| Other Reserves   | 15   |          | (21,286)                 |          | (93,329)                             |
|  |      |          | <b>4,989</b>             |          | <b>(78,398)</b>                      |

**SIGNED**  
**Accounting Officer**

**November 2007**

*Accounting policies and notes forming part of these accounts are on pages 35 to 54.*

**Cash flow Statement**

for the year ended 31 March 2007

|   | Note  | <u>£000</u>   | <u>31 March<br/>2007</u><br>£000 | <u>£000</u>   | <u>Restated<br/>31 March<br/>2006</u><br>£000 |
|---|-------|---------------|----------------------------------|---------------|---|
| Net cash flow from operating activities               | 16 a) |               | 13,483                           |               | (6,736)                                       |
| <b>Return on investments and servicing of finance</b> |       |               |                                  |               |   |
| Interest paid   | 12    | 0             |                                  | (8)           |   |
| Finance lease interest                                | 12    | <u>(22)</u>   |                                  | <u>(76)</u>   |   |
|   |       |               | (22)                             |               | (84)  |
| <b>Capital expenditure</b>                            |       |               |                                  |               |   |
| Payments to acquire tangible fixed assets             | 6     | (11,876)      |                                  | (12,546)      |   |
| Payments to acquire intangible fixed assets           | 5     | (342)         |                                  | (786)         |   |
| Sale of tangible fixed assets                         |       | <u>46</u>     |                                  | <u>356</u>    |   |
|   |       |               | (12,172)                         |               | (12,976)                                      |
| <b>Financing:</b>                                     |       |               |                                  |               |   |
| Capital element of finance leases                     | 19    | (372)         |                                  | (808)         |   |
| TOC Disputes  | 15    | (7,525)       |                                  | 0             |   |
| Recovery of written off bad debt                      | 15    | 26            |                                  | 0             |   |
| Grants Received                                       | 15    | <u>12,370</u> |                                  | <u>17,981</u> |   |
|   |       |               | 4,499                            |               | 17,173  |
| <b>Increase in cash for the period</b>                |       |               | <u><b>5,787</b></u>              |               | <u><b>(2,623)</b></u>                         |

*Accounting policies and notes forming part of these accounts are on pages 35 to 54.*

## Notes to the Accounts

### 1. Statement of Accounting Policies

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

- a) 2006/07 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of BTPA for the purpose of giving a true and fair view has been selected. BTPA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts;
- b) other guidance that HM Treasury may issue from time to time in respect of accounts that are required to give a true and fair view;
- c) any other specific disclosures required by the Secretary of State; except where agreed otherwise by HM Treasury, in which case the exception shall be described in the notes to the accounts.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and follow the requirements of the 2006/07 Government Financial Reporting Manual.

#### 1.1 Intangible Assets

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

#### 1.2 Tangible Assets

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

#### 1.3 Assets Under Construction

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

#### 1.4 Depreciation

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

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

- Land and buildings – 25 years
- Plant and equipment – 5 years

- Fixtures and fittings – 5 years
- Information technology – 5 years
- Road vehicles – 4 years

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

### **1.5 Disposals**

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

### **1.6 Income**

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

### **1.7 Notional Cost of Capital**

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

### **1.8 Retirement Benefits**

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

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

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

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

### **1.9 Leases**

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

Finance leases, which transfer to the Authority substantially all of the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included on the fixed asset register and the capital elements of the leasing commitments are shown as obligations

under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Income and Expenditure Account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful economic life of the equivalent owned asset.

### **1.10 Grants**

Capital grant in aid, revenue grants, and revenue grant in aid received are treated as financing and credited to the General reserve, because they are regarded as contributions from a controlling party in line with the new requirements of the 2006-07 FreM.

Capital grants used to acquire specific capital items are credited to a government grant reserve. Income is released into the Income & Expenditure account in line with the depreciation charged on the asset.

### **1.11 Provisions**

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

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

### **1.12 VAT**

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

### **1.13 Interest Payable/Receivable**

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

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

### **1.14 Stock**

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

### **1.15 Research and Development**

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

### **1.16 Insurance**

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

### **1.17 Change of Accounting Policy**

With effect from the 2006-07 reporting period, the Financial Reporting Manual (FRM) requires Non-Departmental Public Bodies (NDPB) to account for capital grant in aid, revenue grants and revenue

grant in aid received, as financing and not income as had been the case previously. This is because they are regarded as contributions from a controlling party, which gives rise to a financial interest in the NDPB. The effect of this change on the certified 2005-06 accounts and the impact of the change in the results of the current year are shown in Note 27. There is no impact on the net liability of the British Transport Police Authority as a result of this change in policy.

This is a change from accounting treatment in earlier periods prescribed by SSAP 4 'Accounting for government grants', when capital grants were credited to a Government Grant Reserve and released over the useful life of the asset to the income and expenditure account to offset the depreciation charge.

## 2. Operating Income

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

|                                  | <b>31 March<br/>2007</b> | <b>Restated<br/>31 March<br/>2006</b> |
|----------------------------------|--------------------------|---------------------------------------|
|                                  | <b>£000</b>              | <b>£000</b>                           |
| Police Service Agreements income | 170,708                  | 157,205                               |
| Other income                     | 9,795                    | 7,161                                 |
| Government Grant Income          | 1,095                    | 785                                   |
| <b>Total</b>                     | <b>181,598</b>           | <b>165,151</b>                        |

## 3. Operating Expenses

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

|   | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|---|--------------------------|--------------------------|
|   | <b>£000</b>              | <b>£000</b>              |
| Staff costs   | 148,155                  | 126,269                  |
| Supplies and services: other staff costs            | 3,022                    | 4,115                    |
| Supplies and services: communications and computers | 8,803                    | 9,157                    |
| Supplies and services: other                        | 13,125                   | 19,048                   |
| Premises  | 12,452                   | 13,460                   |
| Depreciation  | 6,156                    | 4,732                    |
| Transport costs                                     | 4,143                    | 4,550                    |
| <b>Total</b>  | <b>195,856</b>           | <b>181,331</b>           |

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

## 4. Cost of Capital

|                        | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|------------------------|--------------------------|--------------------------|
|                        | <b>£000</b>              | <b>£000</b>              |
| <b>Cost of capital</b> | <b>1,285</b>             | <b>3,306</b>             |

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

## 5. Intangible Fixed Assets

Intangible assets comprise of software licences.

|                             | Purchased<br>Software<br>Licences | Total        |
|-----------------------------|-----------------------------------|--------------|
|                             | £000                              | £000         |
| <b>Cost</b>                 |                                   |              |
| At 1 April 2006             | 944                               | 944          |
| Additions                   | 342                               | 342          |
| Disposals                   | 0                                 | 0            |
| Indexation                  | 0                                 | 0            |
| <b>At 31 March 2007</b>     | <b>1,286</b>                      | <b>1,286</b> |
| <b>Depreciation</b>         |                                   |              |
| At 1 April 2006             | 58                                | 58           |
| Charge for the Period       | 188                               | 188          |
| Disposals                   | 0                                 | 0            |
| Indexation                  | 0                                 | 0            |
| <b>At 31 March 2007</b>     | <b>246</b>                        | <b>246</b>   |
| <b>NBV at 31 March 2007</b> | <b>1,040</b>                      | <b>1,040</b> |
| <b>NBV at 31 March 2006</b> | <b>886</b>                        | <b>886</b>   |
| <b>Asset Financing:</b>     |                                   |              |
| Owned                       | 1,040                             | 1,040        |
| Finance Lease               | 0                                 | 0            |
| <b>NBV at 31 March 2007</b> | <b>1,040</b>                      | <b>1,040</b> |

## 6. Tangible Fixed Assets

|                             | Land and<br>Buildings | Plant and<br>Machinery | Vehicles     | Vehicles<br>under<br>modifi-<br>cation | Fixtures &<br>Fittings | IT<br>Equipment | Total         |
|-----------------------------|-----------------------|------------------------|--------------|--|------------------------|-----------------|---------------|
|                             | £000                  | £000                   | £000         | £000                                   | £000                   | £000            | £000          |
| <b>Cost</b>                 |                       |                        |              |  |                        |                 |               |
| <b>At 1 April 2006</b>      | <b>12,880</b>         | <b>8,302</b>           | <b>6,453</b> | <b>47</b>                              | <b>57</b>              | <b>16,658</b>   | <b>44,397</b> |
| Additions                   | 3,483                 | 2,099                  | 3,222        | 0                                      | 395                    | 2,678           | 11,877        |
| Transfer                    | 0                     | 0                      | 47           | (47)                                   | 0                      | 0               | 0             |
| Disposals                   | (537)                 | (664)                  | (448)        | 0                                      | 0                      | (10)            | (1,659)       |
| Indexation                  | (92)                  | (1)                    | 46           | 0                                      | (1)                    | (690)           | (738)         |
| <b>At 31 March 2007</b>     | <b>15,734</b>         | <b>9,736</b>           | <b>9,320</b> | <b>0</b>                               | <b>451</b>             | <b>18,636</b>   | <b>53,877</b> |
| <b>Depreciation</b>         |                       |                        |              |  |                        |                 |               |
| <b>At 1 April 2006</b>      | <b>3,728</b>          | <b>3,861</b>           | <b>3,993</b> | <b>0</b>                               | <b>1</b>               | <b>7,984</b>    | <b>19,567</b> |
| Charge for the Period       | 542                   | 1,715                  | 1,074        | 0                                      | 44                     | 2,591           | 5,966         |
| Disposals                   | (222)                 | (554)                  | (432)        | 0                                      | 0                      | (8)             | (1,216)       |
| Indexation                  | (7)                   | (11)                   | 16           | 0                                      | 0                      | (246)           | (248)         |
| <b>At 31 March 2007</b>     | <b>4,041</b>          | <b>5,011</b>           | <b>4,651</b> | <b>0</b>                               | <b>45</b>              | <b>10,321</b>   | <b>24,069</b> |
| <b>NBV at 31 March 2007</b> | <b>11,693</b>         | <b>4,725</b>           | <b>4,669</b> | <b>0</b>                               | <b>406</b>             | <b>8,315</b>    | <b>29,808</b> |
| <b>NBV at 31 March 2006</b> | <b>9,152</b>          | <b>4,441</b>           | <b>2,460</b> | <b>47</b>                              | <b>56</b>              | <b>8,674</b>    | <b>24,830</b> |
| <b>Asset Financing:</b>     |                       |                        |              |  |                        |                 |               |
| Owned                       | 11,693                | 4,725                  | 4,629        | 0                                      | 406                    | 8,315           | 29,768        |
| Finance Lease               | 0                     | 0                      | 40           | 0                                      | 0                      | 0               | 40            |
| <b>NBV at 31 March 2007</b> | <b>11,693</b>         | <b>4,725</b>           | <b>4,669</b> | <b>0</b>                               | <b>406</b>             | <b>8,315</b>    | <b>29,808</b> |

\*Disposals for Land and Buildings are a result of vacating buildings

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

|              | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|--------------|--------------------------|--------------------------|
|              | <u>£000</u>              | <u>£000</u>              |
| PSA Debtor*  | 5,000                    | 10,000                   |
| <b>Total</b> | <b><u>5,000</u></b>      | <b><u>10,000</u></b>     |

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

**8. Debtors falling due within one year**

|                                    | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|------------------------------------|--------------------------|--------------------------|
|                                    | <u>£000</u>              | <u>£000</u>              |
| Trade Debtors                      | 14,931                   | 16,856                   |
| PSA debtor*                        | 5,000                    | 0                        |
| VAT Debtor                         | 66                       | 0                        |
| Other Debtors                      | 577                      | 1,059                    |
| Prepayments and accrued income     | 2,241                    | 1,086                    |
| Less: Provision for Doubtful Debts | (27)                     | (60)                     |
| <b>Total</b>                       | <b><u>22,788</u></b>     | <b><u>18,941</u></b>     |

Included in Trade Debtors is £3.2m due from the Department for Transport, in respect of additional capital funding of £1.7m for the ongoing Airwave radio project and £1.5m to cover the shortfall in the arbitration of two Train Operating Companies disputes with the British Transport Police Authority.

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

|  | <u>£000</u>          | <u>£000</u>          |
|--|----------------------|----------------------|
| <b>Other central government bodies</b>       | 6,588                | 33                   |
| <b>Local authorities</b>                     | 108                  | 17                   |
| <b>NHS bodies</b>                            | 0                    | 0                    |
| <b>Public corporations and trading funds</b> | 0                    | 0                    |
| <b>Intra-government debtors</b>              | <b><u>6,696</u></b>  | <b><u>50</u></b>     |
| <b>Bodies external to government</b>         | 16,092               | 18,891               |
| <b>Total</b>                                 | <b><u>22,788</u></b> | <b><u>18,941</u></b> |

**9. Cash at Bank and in hand**

|                          | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|--------------------------|--------------------------|--------------------------|
|                          | <u>£000</u>              | <u>£000</u>              |
| Cash at bank and in hand | 11,144                   | 5,357                    |
|                          | <b><u>11,144</u></b>     | <b><u>5,357</u></b>      |

**10. Creditors: amounts falling due within one year**

|                                  | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|----------------------------------|--------------------------|--------------------------|
|                                  | <b>£000</b>              | <b>£000</b>              |
| Department for Transport Loan    | 5,000                    | 0                        |
| Trade Creditors                  | 2,635                    | 102                      |
| Finance Lease Creditors          | 111                      | 374                      |
| Vat Creditor                     | 0                        | 279                      |
| Other Taxation & Social Security | 3,660                    | 4,099                    |
| London Underground Ltd           | 810                      | 1,487                    |
| Other Creditors                  | 2,749                    | 1,718                    |
| Accruals & Deferred Income       | 13,136                   | 9,629                    |
| <b>Total</b>                     | <b>28,101</b>            | <b>17,688</b>            |

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

|  | <b>£000</b>   | <b>£000</b>   |
|--|---------------|---------------|
| <b>Other central government bodies</b>       | <b>8,736</b>  | <b>4,385</b>  |
| <b>Local authorities</b>                     | <b>20</b>     | <b>104</b>    |
| <b>NHS bodies</b>                            | <b>0</b>      | <b>0</b>      |
| <b>Public corporations and trading funds</b> | <b>810</b>    | <b>1,487</b>  |
| <b>Intra-government creditors</b>            | <b>9,566</b>  | <b>5,976</b>  |
| <b>Bodies external to government</b>         | <b>18,535</b> | <b>11,712</b> |
| <b>Total</b>                                 | <b>28,101</b> | <b>17,688</b> |

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

|                               | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|-------------------------------|--------------------------|--------------------------|
|                               | <b>£000</b>              | <b>£000</b>              |
| Department for Transport Loan | 5,000                    | 10,000                   |
| Finance lease creditors       | 0                        | 110                      |
| <b>Total</b>                  | <b>5,000</b>             | <b>10,110</b>            |

**12. Net Interest**

|   | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|---|--------------------------|--------------------------|
|   | <b>£000</b>              | <b>£000</b>              |
| Interest receivable on:                     |                          |                          |
| Short term deposits                         | 0                        | 0                        |
| <b>Interest receivable</b>                  | <b>0</b>                 | <b>0</b>                 |
| Interest payable on:                        |                          |                          |
| Bank loans and overdraft                    | 0                        | 8                        |
| Leases                                      | 22                       | 76                       |
| <b>Interest payable and similar charges</b> | <b>22</b>                | <b>84</b>                |
| <b>Net interest payable</b>                 | <b>(22)</b>              | <b>(84)</b>              |

### 13. Provisions

Provisions have been recognised within the accounts where:

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

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

|                                      | Employer<br>Liability<br>Claims | Public<br>Liability<br>Claims | Motor<br>Vehicle<br>Damage<br>Claims | Property<br>Damage<br>Claims | Employment<br>Tribunals | Other<br>Provisions | Total        |
|--------------------------------------|---------------------------------|-------------------------------|--------------------------------------|------------------------------|-------------------------|---------------------|--------------|
|                                      | £000                            | £000                          | £000                                 | £000                         | £000                    | £000                | £000         |
| Balance as 1 April 2006              | 191                             | 164                           | 0                                    | 0                            | 145                     | 764                 | 1,264        |
| Provided in year                     | 19                              | 288                           | 97                                   | 41                           | 120                     | 86                  | 651          |
| Provisions not required written back | (60)                            | (113)                         | 0                                    | 0                            | (3)                     | 0                   | (176)        |
| Provisions utilised during the year  | (51)                            | 9                             | (26)                                 | (19)                         | (162)                   | 0                   | (249)        |
| Balance as 31 March 2007             | <u>99</u>                       | <u>348</u>                    | <u>71</u>                            | <u>22</u>                    | <u>100</u>              | <u>850</u>          | <u>1,490</u> |

#### Employer Liability Claims

This provision applies to claims made by employees of the Authority/Force which are allegedly caused by the Authority's/Force's negligence and result in physical or mental injury or death. The provision is created based on information provided on a regular basis by professional in-house staff, claims advisers and solicitors and is the estimated cost of settlement including legal costs.

#### Public Liability Claims

This provision applies where members of the public claim for loss, damage or injury caused by the Authority's/Force's negligence. The provision is created based on information provided on a regular basis by professional in-house staff, claims advisers and solicitors and is the estimated cost of settlement including legal costs.

#### Motor Liability Claims

This provision applies to loss, damage or injury caused to third parties arising from motor vehicle accidents caused by BTP staff to some extent. The provision is created based on information provided by claims advisors and is the estimated cost of settlement including legal costs.

#### Property Damage Claims

This provision applies to loss of or damage to property and equipment belonging to or occupied by the Authority, or for which they are responsible.

#### Employment Tribunals

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

#### Other Provisions

The provision applies to dilapidations of leasehold properties.

### 14. Contingent Liabilities

BTPA commissioned a report in September 2006 in which actuaries estimated BTPA's possible Employer and Public liabilities and Motor and Property damage claims up to 31 March 2007. The report estimates that in addition to the provisions made for Employer, Public liability and Motor and Property damage claims it is probable that BTPA has incurred a further liability of £352,000.

**15. Reserves**

|  | General Reserve       |                           |         | Grant Reserve | Revaluation Reserve | Working Capital Reserve | Restricted Reserve | Pension Reserve | Total Reserve |
|--|-----------------------|---------------------------|---------|---------------|---------------------|-------------------------|--------------------|-----------------|---------------|
|  | Distributable Reserve | Capital Financing Reserve | Total   |               |                     |                         |                    |                 |               |
|  | £000                  | £000                      | £000    |               |                     |                         |                    |                 |               |
| Opening balance (as restated)                    | (1,319)               | 16,220                    | 14,901  | 3,491         | 30                  | 6,500                   | 6,030              | (109,350)       | (78,398)      |
| Retained profit/(loss) for the period*           | (4,278)               | 0                         | (4,278) | 0             | 0                   | 0                       | 0                  | 0               | (4,278)       |
| Transfer to/(from)                               | 4,612                 | 0                         | 4,612   | (1)           | 0                   | 0                       | (1)                | (4,610)         | 0             |
| Cash Received from Debtor previously written off | 26                    | 0                         | 26      | 0             | 0                   | 0                       | 0                  | 0               | 26            |
| Indexation                                       | 0                     | 0                         | 0       | 0             | 128                 | 0                       | 0                  | 0               | 128           |
| Revenue Grant Received                           | 856                   | 0                         | 856     | 0             | 0                   | 0                       | 1,496              | 0               | 2,352         |
| Capital Grant in Aid Received                    | 0                     | 10,000                    | 10,000  | 0             | 0                   | 0                       | 0                  | 0               | 10,000        |
| Capital Grant                                    | 0                     | 0                         | 0       | 18            | 0                   | 0                       | 0                  | 0               | 18            |
| TOC Disputes                                     | 0                     | 0                         | 0       | 0             | 0                   | 0                       | (7,525)            | 0               | (7,525)       |
| Pension movement                                 | 0                     | 0                         | 0       | 0             | 0                   | 0                       | 0                  | 83,760          | 83,760        |
| Amortisation                                     | 0                     | 0                         | 0       | (1,095)       | 0                   | 0                       | 0                  | 0               | (1,095)       |
| Closing balance                                  | (103)                 | 26,220                    | 26,117  | 2,413         | 158                 | 6,500                   | 0                  | (30,200)        | 4,988         |

\*Retained loss for the period includes a £25,750 receipt from Miller Fisher. The amount was written off in 2003/04 as a bad debt.

**General Reserve**

Represents the cumulative past surplus and deficits from the income and expenditure account. This comprises the Distributable Reserve and the Capital Financing Reserve.

**Capital Financing Reserve**

As explained in Note 1.17, with effect from 2006-07, the Financial Reporting Manual (FRM) requires capital grant to be treated as financing which is a change in accounting treatment from earlier periods when grant was recorded as income.

A new accounting reserve called the 'capital financing reserve' has been created to hold government grant received for the general acquisition of capital goods.

**Distributable Reserve**

This represents BTPA's cumulative past operating surpluses/deficits.

**Revaluation Reserve**

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

**Grant Reserve**

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

**Working Capital Reserve**

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

**Restricted Reserve**

Represents Grant in Aid from the Department for Transport to offset disputed payments by the Train Operation Companies.

**Pension Reserve**

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

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

|  | <b>31 March<br/>2007</b> | <b>Restated<br/>31 March<br/>2006</b> |
|--|--------------------------|---------------------------------------|
|  | <b>£000</b>              | <b>£000</b>                           |
| Operating deficit                                | (14,258)                 | (16,180)                              |
| Depreciation charges                             | 6,156                    | 4,731                                 |
| Amortisation charges                             | (1,095)                  | (785)                                 |
| Write off for MHCA                               | 616                      | 606                                   |
| Increase/decrease debtors                        | 1,153                    | (5,051)                               |
| Increase/decrease creditors                      | 5,675                    | 1,560                                 |
| Increase/decrease provisions                     | 226                      | 633                                   |
| Pension charges                                  | 15,010                   | 7,750                                 |
| <b>Net cash inflow from operating activities</b> | <b>13,483</b>            | <b>(6,736)</b>                        |

**B) Analysis of changes in net funds**

|                          | <b>At<br/>1 April<br/>2006</b> | <b>Cash flow</b> | <b>Non-cash<br/>movements</b> | <b>At<br/>31 March<br/>2007</b> |
|--------------------------|--------------------------------|------------------|-------------------------------|---------------------------------|
|                          | <b>£000</b>                    | <b>£000</b>      | <b>£000</b>                   | <b>£000</b>                     |
| Cash at bank and in hand | 5,357                          | 5,787            | 0                             | 11,144                          |
| Finance leases           | (483)                          | 372              | 0                             | (111)                           |
| <b>Total</b>             | <b>4,874</b>                   | <b>6,159</b>     | <b>0</b>                      | <b>11,033</b>                   |

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

|   | <b>31 March<br/>2007</b> |
|---|--------------------------|
|   | <b>£000</b>              |
| Increase in cash in the period                            | 5,787                    |
| Cash out flow from decrease in debt and leasing financing | 372                      |
| Change in net debt resulting from cash flows              | 6,159                    |
| <b>Movement in net debt in the period</b>                 | <b>6,159</b>             |
| <b>Net debt at 01.04.06</b>                               | <b>4,874</b>             |
| <b>Net debt at 31.03.07</b>                               | <b>11,033</b>            |

**17. Capital Commitments**

As at the balance sheet date there were three Capital Commitments totalling £34,000 relating to building works.

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

|                     | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|---------------------|--------------------------|--------------------------|
|                     | <b>£000</b>              | <b>£000</b>              |
| Land and buildings  | 4,811                    | 5,350                    |
| Plant and machinery | 178                      | 190                      |
| <b>Total</b>        | <b>4,989</b>             | <b>5,540</b>             |

**B) Commitments under Operating Leases**

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

Obligations under operating leases comprise:

|                                | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|--------------------------------|--------------------------|--------------------------|
|                                | <b>£000</b>              | <b>£000</b>              |
| Operating leases which expire: |                          |                          |
| Within one year                | 199                      | 615                      |
| Between two to five years      | 1,013                    | 341                      |
| Over five years                | 4,111                    | 4,015                    |
| <b>Total</b>                   | <b>5,323</b>             | <b>4,971</b>             |

**19. Finance Leases**

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

|                              | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|------------------------------|--------------------------|--------------------------|
|                              | <b>£000</b>              | <b>£000</b>              |
| Finance leases which expire: |                          |                          |
| Within one year              | 111                      | 373                      |
| Between one to two years     | 0                        | 110                      |
| Between two to five years    | 0                        | 0                        |
| Over five years              | 0                        | 0                        |
| <b>Total</b>                 | <b>111</b>               | <b>483</b>               |

## 20. Losses and Special Payments

There are no losses over £250,000.

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## 21. Related Party Transactions

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

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

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

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

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

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## 22. Financial Instruments

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

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

### Liquidity Risk

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

### Interest Rate Risk

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

### Foreign Currency Risk

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

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**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 2007.

|                                       | <u>Book<br/>Value</u> | <u>Fair<br/>Value</u> |
|---------------------------------------|-----------------------|-----------------------|
|                                       | <u>£000</u>           | <u>£000</u>           |
| <b>Primary Financial Instruments:</b> |                       |                       |
| <b>Financial Assets:</b>              |                       |                       |
| Cash at Bank                          | 11,144                | 11,144                |
| <b>Financial Liabilities:</b>         |                       |                       |
| Finance Lease Obligations             | 111                   | 111                   |
| Provisions                            | 1,490                 | 1,490                 |

**23. Post Balance Sheet Events**

A new charging model for Train Operating Companies came into effect from 1 April 2007. Currently four companies are disputing the new charges which total £7.2m per annum and suspended all payments to BTPA temporarily until the disputes are resolved. The Force currently has sufficient cash resources to meet its outgoings and anticipates this will continue until the matter is resolved. In addition the DfT as a sponsoring body has agreed to provide BTPA with a loan facility should the Force require additional cash resources as a result of these disputes.

**24. London Underground Area**

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

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

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

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

In 2006-07 staff costs relating to LUL were £40.5m (£42.8m for the year ended 31 March 2006). The average number of officers employed on London Underground during 2006-07 was 845 (828 for the year ended 31 March 2006). BTP has changed the method of calculating the average number of officers to reflect information within the payroll system and has restated the comparative accordingly.

## 25. Staff & Retirement Benefits

### Staff Numbers and Costs

#### A) Total staff costs consist of:

|   | 31 March<br>2007<br>Total<br>£000 | Permanently<br>Employed<br>Staff<br>Total<br>£000 | Temporary<br>Employed<br>Staff<br>Total<br>£000 | 31 March<br>2006<br>Total<br>£000 |
|---|-----------------------------------|---|---|-----------------------------------|
| Salaries and Wages                                | 111,556                           | 108,512   | 3,044   | 99,950                            |
| Social Security Costs                             | 9,358                             | 9,358   | 0   | 8,279                             |
| Other Pension Costs                               | 27,242                            | 27,242  | 0   | 18,040                            |
| Sub-total   | 148,156                           | 145,112   | 3,044   | 126,269                           |
| Less recoveries in respect of outward secondments | (731)                             | (731)   | 0   | (474)                             |
| <b>Total Staff costs</b>                          | <b>147,425</b>                    | <b>144,381</b>                                    | <b>3,044</b>                                    | <b>125,795</b>                    |

Other staff costs of £3.22m (£4.12m for the year ended 31 March 2006) are now shown in Other Operating Expenses (Note 2).

Between 1 April 2006 and 31 March 2007, contributions of £18,200,000 were paid to the Railway Pension Scheme and the British Transport Police Force Superannuation Fund (BTPFSF) at rates determined by the scheme's Actuary. Employer's contributions are currently nil for the Railways Pension Scheme as the employer has a contributions holiday and 24% for the BTPFSF.

10 persons (Year ended 31 March 2006 – 13 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,941 (Year ended 31 March 2006 – £2,400).

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

|  | Police<br>Community<br>Service<br>Officers | Police<br>Staff | 31 March<br>2007<br>Total | 31 March<br>2006<br>Total |
|--|--|-----------------|---------------------------|---------------------------|
|  | 2,075                                      | 879             | 3,170                     | 3,087                     |

BTPA has changed the method of calculating the the average number of whole time equivalent employees using information from the payroll system. The comparative has been restated to reflect this.

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

|  | Police<br>Community<br>Service<br>Officers | Police<br>Staff | 31 March<br>2007<br>Total | 31 March<br>2006<br>Total |
|--|--|-----------------|---------------------------|---------------------------|
|  | 0  | 66              | 66                        | 59                        |

## 26. Disclosure of Retirement Benefits

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

The pension costs associated with staff employed by the Authority during the year is £33.21m. This cost is partially offset by employer contributions of £18.2m and a net return on the pension fund of £10.4m, leaving a net cost of pensions for the year of £4.61m. The total pension liabilities for all staff, past and present, is shown in the Balance Sheet. This amounts to £30.2m. HM Treasury have confirmed that the charge or credit to the Income and Expenditure Account arising from FRS17 should be excluded from the calculation of the amount to be reclaimed from parties with Police Service Agreement with BTPA.

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

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

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

### ***British Transport Police Force Superannuation Fund (BTPFSF)***

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

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

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

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

Members pay contributions of 16.0% of pensionable earnings and the employer pays one and a half times the employee contribution, being 24.0%. In addition the employer is paying a deficit payment of 1.7% of the benefit outgoings for the 1970 contributory section of the BTPFSF for 3 years from April 2005. This contribution may be changed after the final results of the 2006 revaluation.

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

Under the Trust Deed Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. An independent actuarial valuation was carried out at 30 June 2004 by Watson Wyatt. The Authority uses Mercers to provide the FRS17 valuation.

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

2003-04 19.5% of salaries;  
2004-05 19.5% of salaries;  
2005-06 19.3% of salaries;  
2006-07 19.3% of salaries.

**B) The major assumptions used by the actuary were**

|  | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> | <u>31 March<br/>2005</u> |
|--|--------------------------|--------------------------|--------------------------|
|  | %                        | %                        | %                        |
| Inflation assumption   | 3.1                      | 3.0                      | 2.9                      |
| Rate of increase in salaries                                   | 4.6                      | 4.5                      | 4.4                      |
| Rate of increase for pensions in payment and deferred pensions | 3.1                      | 3.0                      | 2.9                      |
| Discount rate  | 5.4                      | 5.0                      | 5.4                      |

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

|  | Long-term<br>rate<br>of return<br>expected at<br>31 March<br>2007 | Value at<br>31 March<br>2007 | Long-term<br>rate<br>of return<br>expected at<br>31 March<br>2006 | Value at<br>31 March<br>2006 | Long-term<br>rate<br>of return<br>expected at<br>31 March<br>2005 | Value at<br>31 March<br>2005 |
|--|---|------------------------------|---|------------------------------|---|------------------------------|
|  | %   | £000                         | %   | £000                         | %   | £000                         |
| Equities                                     | 7.90  | 646,100                      | 7.50  | 603,800                      | 7.90  | 463,700                      |
| Bonds  | 5.05  | 105,200                      | 4.60  | 91,000                       | 5.00  | 82,400                       |
| Property                                     | 6.50  | 58,300                       | 6.05  | 51,100                       | 6.45  | 45,500                       |
| Other  | 5.25  | 41,400                       | 4.50  | 21,300                       | 4.70  | 19,300                       |
| Allowance for Government Support<br>Payments |   | 18,600                       | 4.95  | 23,900                       | 5.40  | 23,300                       |
| Total market value of assets                 |   | 869,600                      |   | 791,100                      |   | 634,200                      |
| Present value of scheme liabilities          |   | (898,100)                    |   | (897,200)                    |   | (765,500)                    |
| Pension scheme deficit                       |   | (28,500)                     |   | (106,100)                    |   | (131,300)                    |
| Net pension liabilities                      |   | (28,500)                     |   | (106,100)                    |   | (131,300)                    |

**D) Analysis of the amount charged to operations**

|                        | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|------------------------|--------------------------|--------------------------|
|                        | £000                     | £000                     |
| Current service cost   | 29,200                   | 22,500                   |
| Past service cost      | 0                        | 0                        |
| Total operating charge | <u>29,200</u>            | <u>22,500</u>            |

**E) Analysis of the amount credited to other finance income**

|  | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|--|--------------------------|--------------------------|
|  | <u>£000</u>              | <u>£000</u>              |
| Expected return on pension scheme assets | (54,800)                 | (45,800)                 |
| Interest on pension scheme liabilities   | 44,800                   | 41,500                   |
| Net credit to other income               | <u>(10,000)</u>          | <u>(4,300)</u>           |

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

|   | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|---|--------------------------|--------------------------|
|   | <u>£000</u>              | <u>£000</u>              |
| Actual return less expected return on pension scheme assets                   | 20,300                   | 110,600                  |
| Experience gains and losses arising on the scheme liabilities                 | 17,800                   | 7,900                    |
| Changes in assumptions underlying the present value of the scheme liabilities | 40,500                   | (92,600)                 |
| Actuarial gain/(loss) recognised in the STRGL                                 | <u>78,600</u>            | <u>(25,900)</u>          |

**G) Movement in shortfall during the year:**

|  | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> |
|--|--------------------------|--------------------------|
|  | <u>£000</u>              | <u>£000</u>              |
| Shortfall in scheme in the beginning of the year | (106,100)                | (131,300)                |
| Movement in year:                                |                          |                          |
| Current service costs                            | (29,200)                 | (22,500)                 |
| Employer contributions                           | 18,200                   | 17,500                   |
| Past service costs                               | 0                        | 0                        |
| Other finance income                             | 10,000                   | 4,300                    |
| Actuarial gain/(loss)                            | 78,600                   | 25,900                   |
| Shortfall in scheme at the end of the year       | <u>(28,500)</u>          | <u>(106,100)</u>         |

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

The actuarial update as at 31 March 2007 showed a decrease in the shortfall from £106,100,000 to £28,500,000.

**H) History of experience gains and losses**

|  | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> | <u>31 March<br/>2005</u> |
|--|--------------------------|--------------------------|--------------------------|
|  | <u>£000</u>              | <u>£000</u>              | <u>£000</u>              |
| Difference between the expected and actual return on scheme assets:        | 20,300                   | 110,600                  | 25,700                   |
| Percentage of scheme assets  | 2%                       | 14%                      | 4%                       |
| Experience gains and losses on scheme liabilities:                         | 17,800                   | 7,900                    | (8,900)                  |
| Percentage of the present value of the scheme liabilities                  | 2%                       | 1%                       | 1%                       |
| Total amount recognised in statement of total recognised gains and losses: | 78,600                   | 25,900                   | (52,300)                 |
| Percentage of the present value of the scheme liabilities                  | 9%                       | 3%                       | 7%                       |

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

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

This fund is open to new members.

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

Members pay contributions of 9.2% of pensionable earnings. The employer is currently on a contribution holiday so the employer's contribution is nil. The contribution holiday terminates on 31 March 2007, from 1 April 2007 the employer will be paying 14.46%.

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

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

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

**B) The major assumptions used by the actuary were:**

|  | <u>31 March<br/>2007</u> | <u>31 March<br/>2006</u> | <u>31 March<br/>2005</u> |
|--|--------------------------|--------------------------|--------------------------|
|  | %                        | %                        | %                        |
| Inflation assumption   | 3.1                      | 3.0                      | 2.9                      |
| Rate of increase in salaries                                   | 4.6                      | 4.5                      | 4.4                      |
| Rate of increase for pensions in payment and deferred pensions | 3.1                      | 3.0                      | 2.9                      |
| Discount rate  | 5.4                      | 5.0                      | 5.4                      |

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

|                                     | <b>Long-term<br/>rate<br/>of return<br/>expected at<br/>31 March<br/>2007</b> | <b>Value at<br/>31 March<br/>2007</b> | <b>Long-term<br/>rate<br/>of return<br/>expected at<br/>31 March<br/>2006</b> | <b>Value at<br/>31 March<br/>2006</b> | <b>Long-term<br/>rate<br/>of return<br/>expected at<br/>31 March<br/>2005</b> | <b>Value at<br/>31 March<br/>2005</b> |
|-------------------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
|                                     | <u>%</u>  | <u>£000</u>                           | <u>%</u>  | <u>£000</u>                           | <u>%</u>  | <u>£000</u>                           |
| Equities                            | 7.90  | 26,930                                | 7.50  | 25,710                                | 7.90  | 18,740                                |
| Bonds                               | 4.90  | 2,540                                 | 4.60  | 3,150                                 | 5.00  | 2,410                                 |
| Property                            | 6.40  | 3,670                                 | 6.05  | 1,800                                 | 6.45  | 2,000                                 |
| Other                               | 5.25  | 4,320                                 | 4.50  | 1,770                                 | 4.70  | 1,450                                 |
| Total market value of assets        |   | <u>37,460</u>                         |   | <u>32,430</u>                         |   | <u>24,600</u>                         |
| Present value of scheme liabilities |   | (39,160)                              |   | (35,680)                              |   | (26,510)                              |
| Pension scheme deficit              |   | (1,700)                               |   | (3,250)                               |   | (1,910)                               |
| Net pension liabilities             |   | <u>(1,700)</u>                        |   | <u>(3,250)</u>                        |   | <u>(1,910)</u>                        |

**D) Analysis of the amount charged to operations**

|                               | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|-------------------------------|--------------------------|--------------------------|
|                               | <b>£000</b>              | <b>£000</b>              |
| Current service cost          | 4,010                    | 2,750                    |
| Past service cost             | 0                        | 0                        |
| <b>Total operating charge</b> | <b>4,010</b>             | <b>2,750</b>             |

**E) Analysis of the amount credited to other finance income**

|  | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|--|--------------------------|--------------------------|
|  | <b>£000</b>              | <b>£000</b>              |
| Expected return on pension scheme assets | (2,280)                  | (1,830)                  |
| Interest on pension scheme liabilities   | 1,880                    | 1,530                    |
| Net return                               | (400)                    | (300)                    |

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

|   | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|---|--------------------------|--------------------------|
|   | <b>£000</b>              | <b>£000</b>              |
| Actual return less expected return on pension scheme assets                   | 1,300                    | 5,000                    |
| Experience gains and losses arising on the scheme liabilities                 | 630                      | 560                      |
| Changes in assumptions underlying the present value of the scheme liabilities | 3,230                    | (4,450)                  |
| Actuarial loss recognised in the STRGL  | 5,160                    | 1,110                    |

**G) Movement in shortfall during the year:**

|  | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> |
|--|--------------------------|--------------------------|
|  | <b>£000</b>              | <b>£000</b>              |
| Shortfall in scheme in the beginning of the year | (3,250)                  | (1,910)                  |
| Movement in year:                                |                          |                          |
| Current service costs                            | (4,010)                  | (2,750)                  |
| Employer contributions                           | 0                        | 0                        |
| Past service costs                               | 0                        | 0                        |
| Other finance income                             | 400                      | 300                      |
| Actuarial gain/(loss)                            | 5,160                    | 1,110                    |
| Shortfall in scheme at the end of the year       | (1,700)                  | (3,250)                  |

The actuarial update as at 31 March 2006 showed a decrease in the shortfall from £3,250,000 to £1,700,000.

**H) History of experience gains and losses**

|  | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> | <b>31 March<br/>2005</b> |
|--|--------------------------|--------------------------|--------------------------|
|  | <b>£000</b>              | <b>£000</b>              | <b>£000</b>              |
| Difference between the expected and actual return on scheme assets:        | 1,300                    | 500                      | 930                      |
| Percentage of scheme assets  | 3%                       | 15%                      | 4%                       |
| Experience gains and losses on scheme liabilities:                         | 630                      | 560                      | 20                       |
| Percentage of the present value of the scheme liabilities                  | 2%                       | 0%                       | 0%                       |
| Total amount recognised in statement of total recognised gains and losses: | (5,160)                  | 1,110                    | (3,450)                  |
| Percentage of the present value of the scheme liabilities                  | 13%                      | 3%                       | 13%                      |

**27. Prior Year Adjustment**

As explained in note 1.2, with effect from 2006-07, the Financial Reporting Manual requires revenue grant and grant in aid and capital grant in aid to be treated as financing, which is a change in accounting policy from earlier periods when they were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current period are shown below:

|                         | <b>31 March<br/>2006 (as<br/>previously<br/>stated)</b> | <b>Impact<br/>of adopting<br/>the new<br/>Accounting<br/>policy</b> | <b>31 March<br/>2006<br/>(restated)</b> |
|-------------------------|---|---|---|
|                         | <b>£000</b>   | <b>£000</b>   | <b>£000</b>                             |
| Net deficit for 2005/06 | (6,516)   | (5,684)   | (12,200)                                |
| General Reserve         | (1,319)   | 16,220  | 14,901                                  |
| Grant reserve           | 19,711  | (16,220)  | 3,491                                   |

  

|                         | <b>31 March<br/>2007 (as<br/>without<br/>applying<br/>new policy)</b> | <b>Impact<br/>of adopting<br/>the new<br/>Accounting<br/>policy</b> | <b>31 March<br/>2007<br/>(applying<br/>new policy)</b> |
|-------------------------|---|---|--|
|                         | <b>£000</b>   | <b>£000</b>   | <b>£000</b>  |
| Net deficit for 2006/07 | (117)   | (4,161)   | (4,278)  |
| General Reserve         | 3,203   | 22,914  | 26,117   |
| Grant reserve           | 25,330  | (22,915)  | 2,415  |

**28. Charges to Police Service Users**

The BTPA and the Department have achieved a satisfactory and agreed regime of charges to Police Service users which applies from April 2007. This new charging formula has been accepted by most Police Service users although some Train Operating Companies (TOCs) are withholding payment pending a possible legal challenge.

The previous formula resulted in some £7.5 million of BTPA allocations of charges to certain TOCs not being recovered from Police Service users following earlier disputes. In recent months DfT has declared that it is their objective to recover the funds originally awarded by the Department to BTPA to cover the shortfall. BTPA has sought legal advice and, at the time of finalising these accounts for 2006-07, is awaiting a ministerial decision as to whether or not the funds originally awarded by the DfT to cover the shortfall are to be recovered from the PSA holders.

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

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



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