
British Transport Police Fund

Statement of Accounts for the year ended 31 March 2013



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British Transport Police Fund

Statement of Accounts for the year ended 31 March 2013

*Ordered by the House of Commons to be printed on
20 June 2013*

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Management Commentary

Introduction

British Transport Police Authority

Annual Report and Accounts 2012-13

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

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

The audited financial statements in this report are for the year ended 31 March 2013. They have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. This statement of accounts for the British Transport Police Fund is presented to Parliament pursuant to Schedule 4, Part 3 17(b) of the Act.

These accounts meet the requirements of the Railways and Transport Safety Act 2003. The Statement of Comprehensive Income for the year is shown on page 56 and the Statement of Changes in Taxpayers Equity on page 59. The Statement of Financial Position and Statement of Cash Flows are shown on pages 57 and 58 respectively.

Ordered by the House of Commons to be printed 28 June 2013.

Structure of the Police Authority

The membership of the Authority during 2012-13 is set out below:

Urmila Banerjee CBE

Chairman

BTPA responsibilities:

- Police Authority: Chairman
- Strategy group: Chairman until 23 October 2012
- Strategy steering group
- Appointments and Remuneration Committee
- Portfolio allocation: Chief Constable

Appointments outside BTPA:

- Working Links: Chairman
 - Nominet Trust: Chairman
 - High Sheriff of Greater London
 - Barts Health NHS Trust: Non-executive director (appointed 2 April 2012)
-

Brian Phillipott

Deputy Chairman

Appointed 1 April 2012

BTPA responsibilities:

- Police Authority: Deputy Chairman
- Audit Committee: Chairman from 4 December 2012
- Appointments and Remuneration Committee
- Strategy group
- Strategy steering group
- Portfolio allocation: Deputy Chief Constable

Appointments outside BTPA:

- N/A

Lew Adams OBE

Member with knowledge and experience of rail employee interests

BTPA responsibilities:

- Police Authority
- Professional Standards Committee
- Policing plan group
- Pensions working group
- Portfolio allocations: London North area and health and safety
- British Transport Police Force Superannuation Fund: pension management committee member

Appointments outside BTPA:

- Brackenbury Manor Owners Limited: Chairman;
 - Friends of the National Railway Museum, York: member
 - Transport Benevolent Fund: patron
-

Patrick Butcher

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Strategy group
- Strategy steering group

Appointments outside BTPA:

- Network Rail: Group Finance Director
-

Howard Collins

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Professional Standards Committee
- Performance review group: Chairman
- Pensions working group: Chairman
- Portfolio allocations: London South area

Appointments outside BTPA:

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

Colin Foxall CBE

Member with knowledge and experience of passenger interests in Wales

Term expired 3 January 2013

BTPA responsibilities:

- Police Authority
- Audit Committee: Chairman until 4 December 2012
- Portfolio allocations: Wales & Western area

Appointments outside BTPA:

- Passenger Focus: Chairman
-

Elizabeth France CBE

Member with knowledge and experience of passenger interests

BTPA responsibilities:

- Police Authority
- Professional Standards Committee
- Performance review group
- Policing plan group
- Portfolio allocations: North Western area

Appointments outside BTPA:

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

David Franks

Member with knowledge and experience of providing railway services

Resigned 29 January 2013

BTPA responsibilities:

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

Appointments outside BTPA:

- Keolis: Managing Director, UK Rail unto 31 December 2012
 - Irish Rail: Chief Executive Officer from 7 January 2013
-

Michael Holden

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit Committee
- Performance review group
- Policing plan group: Chairman from 1 July 2011
- Portfolio allocations: Director of Corporate Resources

Appointments outside BTPA:

- Association of Train Operating Companies: Board Member
 - Coledale Consulting Ltd: Director
 - Directly Operated Railways Ltd: Chief Executive Officer
 - East Coast Main Line Company Ltd: Non-executive Chairman
 - First Class Partnerships: Associate
 - Railway Children Ltd: Director (non-remunerated), Trustee
 - Railway Children Trading Ltd: Director (non remunerated)
 - Railway Children Ball Ltd: Director (non remunerated)
 - Pinewood Gymnastics Club Ltd: Director (non remunerated), Trustee
-

Len Jackson

Member with knowledge and experience of passenger interests

Appointed 1 May 2012

BTPA responsibilities:

- Police Authority
- Professional Standards Committee
- Appointments and Remuneration Committee
- Strategy group
- Strategy steering group
- Portfolio allocations: North Eastern area

Appointments outside BTPA:

- Assistant Commissioner for the Boundary Commission for England and Wales

Bill Matthews

Member with knowledge and experience of passenger interests in Scotland

Appointed 1 November 2012

BTPA responsibilities:

- Police Authority
- Audit Committee
- Finance group
- Pensions working group
- Performance review group
- Portfolio allocations: Scotland area and ACC (Scotland)

Appointments outside BTPA:

- Security Industry Authority: Interim Chair
 - BBC Trust – Trustee for Scotland
-

Wendy Towers

Member with knowledge and experience of passenger interests in England

BTPA responsibilities:

- Police Authority
- Professional Standards Committee: Chairman
- Appointments and Remuneration Committee
- Finance group
- Portfolio allocations: London Underground & DLR area

Appointments outside BTPA:

- Security Industry Authority: Board member

Anton Valk

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Appointments and Remuneration Committee
- Finance group from 17 October 2012
- Performance review group
- Strategy group: Chairman from 24 October 2012
- Strategy steering group: Chairman

Appointments outside BTPA:

Non Executive Chairman Abellio UK

Jeroen Weimar

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit Committee until 31 May 2012
- Appointments and Remuneration Committee: Chairman
- Strategy group
- Strategy steering group
- Finance group: Chairman
- Portfolio allocations: ACC (Territorial Policing)

Appointments outside BTPA:

- Chief operating Officer: UK Bus, First Group

Chief Executive's report

Principal activities

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

The Authority's other main statutory duty is to defray the expenses of the police force and the Authority through contributions from the railway industry. In exercising its statutory duty the Authority consults widely to ensure that the railway community – train operators, their staff, and their passengers – receive the best possible value from BTP.

The Authority also works closely with Transport Scotland and the office of the Cabinet Secretary for Justice, to which policing and the ScotRail franchise are devolved, and the Welsh Government. The Authority's membership includes a member each for Scotland and Wales: these posts are appointed jointly with the devolved administrations and held by individuals with knowledge of the interests of persons in their respective nations.

BTP is the national police force for the country's rail network. It is responsible for policing the infrastructure maintained by Network Rail, and the trains and stations of 39 passenger and freight companies operating mainline rail services. It also provides a policing service to:

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

Together, these rail businesses provide a transport service to some six million people every day. The rail network is a potential target for terrorist activity. BTP must therefore have an effective counter-terrorist capability which it continues to develop to match the threat. The police force has additionally developed significant expertise in dealing with organised events, providing a well co-ordinated national service for the controlled movement of large numbers of people across the network to attend major sporting and other events. During the summer of 2012 BTP was heavily involved in policing events around the Queen's Jubilee celebrations and the Olympics and Paralympic Games around the country. BTP is also working to protect railway infrastructure, in particular the theft of line side metals. This work has helped to reduce disruption on the rail network.

Accounting Officer role

I have been the Principal Accounting Officer for the Authority since 12 April 2010. As Accounting Officer I have responsibility for overseeing the Authority's responsibilities, which include developing a strategy, setting a budget, recovering costs from the rail industry and overseeing British Transport Police's operational performance.

I appointed the Chief Constable as an additional Accounting Officer. These arrangements have allowed the Chief Constable to concentrate on his policing responsibilities.

Key performance indicators

The Authority sets objectives for policing before the beginning of each financial year in a National Policing Plan. These objectives serve as the Authority's key performance indicators. Performance against the 2012-13 targets is included on page 19. Local policing plans are also put in place each year to both support the national objectives and to recognise local initiatives and issues.

Improving efficiency

In December 2012, the Authority set the 2013-14 overground budget and agreed that it would be increased by 2.6%. Expected cost savings from 2012-13 of £1.6million were offset against this budget and the PSA holders were informed that the overground budget would increase by 1.8%, well below headline inflation of 3%. In 2012-13 the budget had remained at the same level as the previous years, despite having a significant operational role during the Olympic and Paralympic Games. This represents a real reduction in the total cost of policing the railways when inflation has continued to rise and this has been achieved through improved efficiency.

Employees and employee matters

Engagement with employees

The following staff associations are recognised BTP:

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

The following support groups operate in BTP:

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

Employees also have access to the National Jewish Police Association.

BTP has a policy for Managing Disability in the Workplace which sets out the organisation's approach to disability equality. The policy aims to promote the overall health and wellbeing of all employees; putting in place an approach which stresses the importance of adopting an individual approach to each employee, ensuring adjustments are based on a specific assessment of their needs. The policy ensures that disabled employees are viewed in terms of their contribution and the value they bring to the organisation, translating into practice the Authority's commitment to make every effort to retain and develop the skills and knowledge held by its disabled employees.

Resource availability

A high level of attendance from officers and staff is essential to BTP's service. The 2012-13 Policing Plan set a target of less than 7.3 days of sickness absence per employee. The results were as follows:

	2012-13	2011-12
Police officers	7.0	7.2
Police staff	8.2	7.1
Police Community Support Officers ('PCSO')	9.0	11.0
Overall	7.5	7.4

Overall the level of sickness has marginally increased and is now just over 7.5 days per employee per annum. The Police Authority has monitored PCSO sickness over the year and it has reduced by 2 days per annum, although it is still above the overall level. The police staff sickness has worsened by 1.1 days, this increase has been driven by a 14% increase in days lost through long term sickness and a 23% increase in days lost by short term sickness, principally at the Force Headquarters. The Performance Review group will monitor the progress on action plans to reduce this. As a result of this, the overall level of sickness missed the target by 0.2 day but continues to compare favourably with the other Home Office Forces.

The staff costs and details on the average number of persons employed are set out in note 4 to the accounts.

A fresh approach to doing business

Business cycle

2012-13 was the third year of the Authority's new business cycle, established to ensure the Police Authority is presented with the essential information to assess the effectiveness and efficiency of the police force and take appropriate action.

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

Communications strategy

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

- Police Service Agreement holders;
- Rail passengers, and their national and regional passenger representative groups;
- Police and rail staff, and their representatives;
- 'Rail UK' including the Department for Transport, the newly emerging Rail Delivery group (RDG); the Association of Train Operating Companies; Office for Rail Regulation and the Rail Accident Investigation Branch;
- 'Policing UK' which includes the Police and Crime Commissioners appointed following the November election, the newly established Association of Police and Crime Commissioners, ACPO, HMIC; and
- Governments in Westminster, Scotland and Wales (including Transport for London).

These stakeholders were consulted during the fundamental refresh of the Authority's strategic plan which now reaches to 2018-19, the end of Control period 5. Work was underway during the reporting period, to develop year 1 of the operational delivery plan as published within the 2013-14 Policing Plans, approved by the Authority on 21 March 2013.

Key consultation activities during the year included:

- Senior rail company and passenger representatives were invited to participate in a stakeholder workshop in September 2012, at which they had the opportunity to discuss the Authority's assessment of the key issues to inform the strategic direction of the Force and the industry. Also to explore potential priorities for policing for their services over the coming year.
- The Authority continued to regularly engage at various ATOC forums at which performance and planning matters were discussed.
- Early dialogue was established with the new RDG to understand the scope and sequencing of its activities and which of its work streams the Authority's contribution could be most relevant and beneficial.
- During the year an independent survey was conducted with the Industry to identify what they valued in terms of policing services which enabled them to deliver their outputs. The product of this survey was used to inform and refine the strategy. This further strengthened our understanding of the customer requirement.

The Authority developed an initial communication to be sent to incoming PCCs which provided background on the role and remit of BTP and its key areas of work. A follow-up programme for 2013-14 when PCCs will have established their own local priorities and systems of working is now in development.

Operators also continued to be consulted during the reporting period over the Authority's plans to introduce an updated Policing Service Agreement (PSA) from 2013 to ensure that all the core PSA holders are on a standard contract and are charged through the same charging model in order to recover all their costs from the rail industry.

Developments in the rail and policing worlds

Following the Department for Transport's decision in August 2012 to cancel the competition process for the next West Coast main line passenger franchise, all other franchise competitions were either cancelled or delayed. In March 2013, the Department published its revised timetable for franchising, beginning with the East Coast main line, for which a new operator will be in place in 2015. Police Service Agreements remain in place with all Train Operating Companies whose franchises have now been extended rather than re-franchised. As the franchising process develops the Authority will further engage with operators to inform their bids.

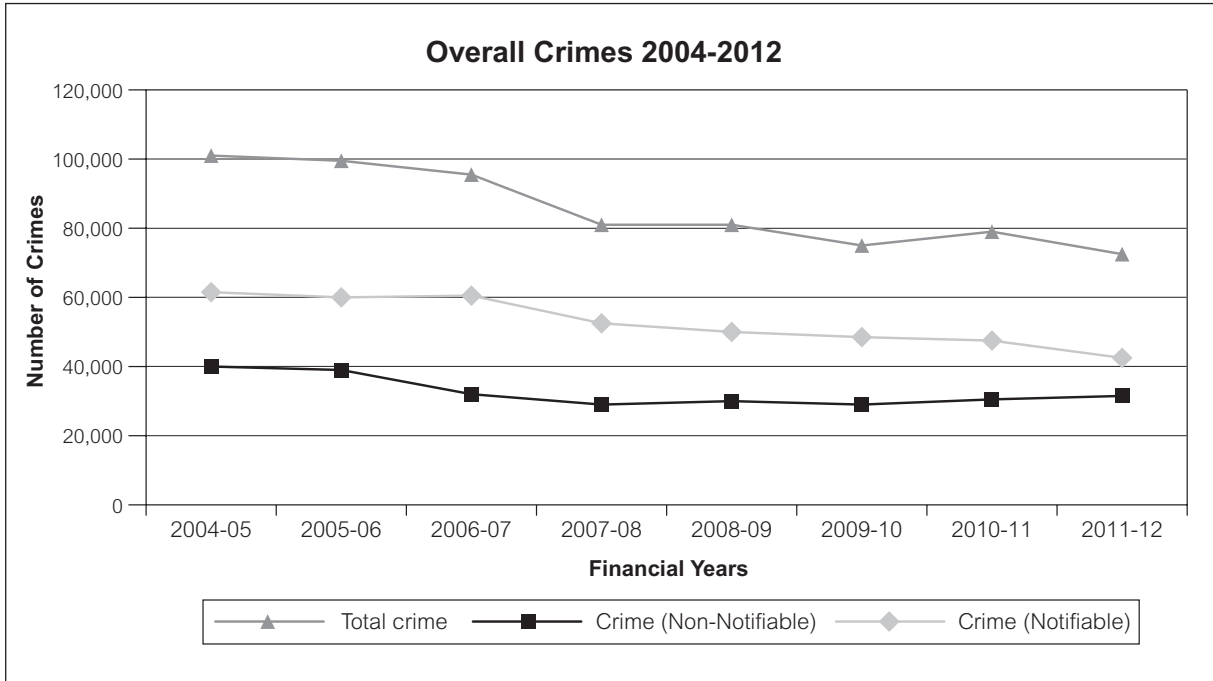
During the reporting period, the Rail Delivery Group was formalised as a company limited by guarantee and membership became compulsory for rail operators. The Authority will seek Associate membership of this group.

In the policing world, the first elections for police and crime commissioners, who replaced Police Authorities for Home Office police forces outside of London, were held in November 2012. The Authority made initial contact with every commissioner in the first week of their election and has since contributed to national coordination work led by the Association of Police and Crime Commissioners (APCC), as well as engaging with individual commissioners on issues affecting their constituencies. The Authority is a member of the APCC and has good relationships with the Home Office through the Police Reform Unit.

The Police Service of Scotland, the national police force of Scotland, was formed on 1 April 2013 through the merger of eight territorial forces and the Scottish Crime and Drug Enforcement Agency. British Transport Police will work closely with the newly formed Police Scotland, but will continue to operate separately in Scotland.

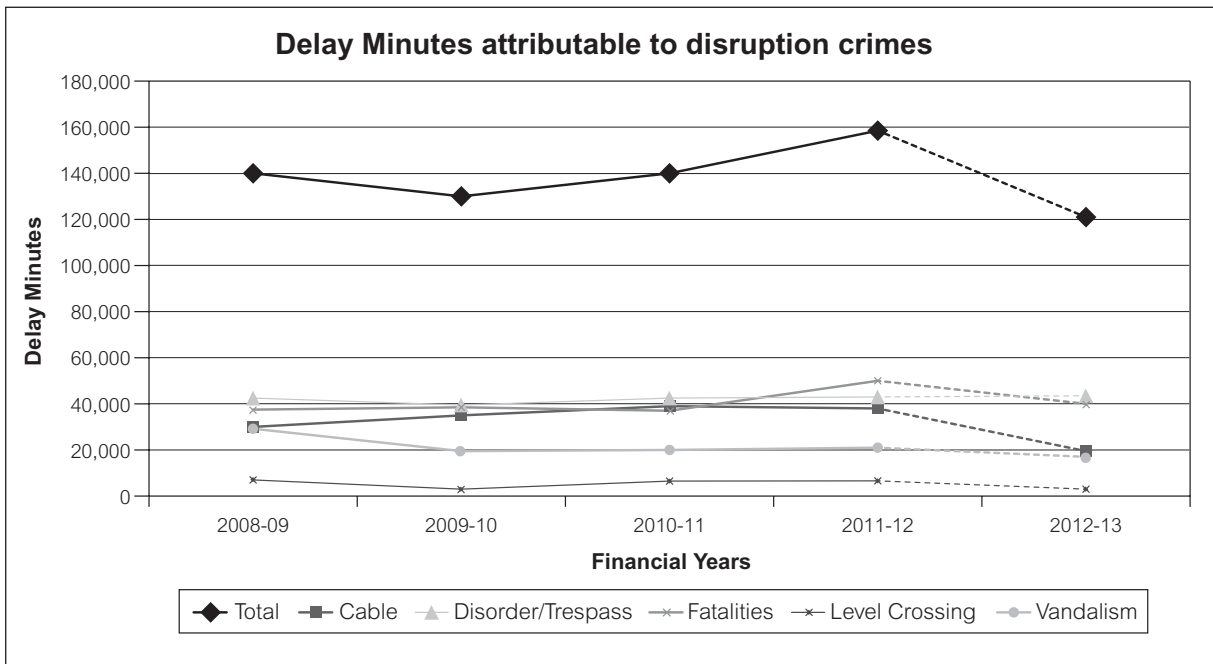
Passenger numbers up, crime down

BTP has been successful in reducing railway crime in partnership with train operators and Network Rail. The railway is now a safer place than it has ever been for those who work and travel on it. Crime has fallen by 33% in the last eight years, whilst the number of people travelling on the railway has increased by nearly 50% to over 1.4 billion. Significantly, there has been a major reduction in crimes which cause passengers most concern – robbery has been reduced by 70%, theft by 48%, violent offences by 19% and motor vehicle crime by 71%. At the same time, more criminals who commit offences on the railway are being arrested. Since 2004-05, BTP's detection rate has improved from 17% to 32% and the number of offenders detected has increased by 20%.



Less disruption

Delay minutes caused by police related activity are now 14% lower than four years ago. To achieve this BTP has worked closely with train operators and Network Rail to focus on crimes and incidents which can cause the most severe disruption, reducing their number and impact. Improvements were made across the board, particularly in preventing live cable theft which can cause severe and widespread delays. Cable theft fell 48% in 2012-13 and delays minutes caused by this crime fell 58%.



Progress in reducing costs

We recognise that the rail industry has to work within tight financial constraints and we have been successful in reducing both our total operating costs and unit costs to provide value to stakeholders. The Force is therefore in a strong position to contribute to the 30% unit reduction in cost per passenger kilometre that was recommended by the McNulty Report and is significantly further ahead than most other industry sectors in this regard.

As well as achieving significant reduction in its costs per passenger kilometre, there has also been a prolonged period of real budget reduction. Growth in funding was agreed between 2004 and 2009 to provide the resources for the Authority to drive to become a high quality police force. Since then, our real budget has been steadily reduced without loss of service quality. The over ground charges to PSA holders in 2009-10 were £201.3m compared to £198.8m in 2012-13 despite inflation over that period of around 14%.

BTP's operating cost remained an important issue for all members of the railway community. In December 2011, the Police Authority agreed to set a net budget of £198.8m for core policing in 2012-13, this was set at the same level as 2011-12, which represents a reduction in real terms for the police force. In taking this difficult funding decision BTP aligned itself with partner organisations in the railway and policing worlds, both of which have absorbed significant financial pressure. In 2013-14 the net overground budget has been increased by 1.8%, which continues to represent a reduction in real terms for the Authority.

Research and development activities

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

Some notable examples include:

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

Environmental matters

As part of the Authority's environment strategy, during 2012-13, it worked to:

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

A detailed Sustainability Report has been included on page 37.

Personal data related incidents

There were 39 incidents involving personal data breaches. Of these one was reported to the Information Commissioner.

Estates

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

The Authority's year in review

Performance

The Authority's policing plan 2012-13 national performance and targets, together with a comparison against the previous year where available, are set out below.

National Policing Plan Objectives	Target achieved	2012-13		2011-12
		Performance	Target	Performance
1. Reduce minutes lost at 36 locations through joint problem solving plans agreed with Network Rail and train operators	✓	163,950	316,672	n/a
2. Reduce disruption by responding to at least 95% of immediate incidents within 10 minutes for the five Olympic Zones	✗	93%	95%	n/a
3. Reduce live cable offences from the 2011-12 level	✓	491	1,113	1,116
4. Non-suspicious fatalities to be cleared within an average of 90 minutes	✓	76	90	76
5. Reduce the number of notifiable offences (excluding police generated offences) from the 2011-12 level	✓	50,081	50,918	51,009
6. At least maintain the detection rate for serious violence, sexual and robbery offences and staff assaults	✓	54%	52%	52%
7. Reduce overall sickness from the 2011-12 level	✗	7.51	7.30	7.39
8. Increase value for money by removing at least £500k from BTP's Force Headquarters functions to reduce back office costs	✓	£510k	£500k	n/a
9. Reduce bureaucracy by decreasing the volume of manually produced performance reports by at least 20%	✓	139	249	n/a
10. At least maintain the proportion of resources devoted to Neighbourhood Policing Teams and response policing between 8pm and 1am (not including the Olympic Games period)	✓	18%	17%	17%
11. Promote confidence and visibility by increasing the total hours worked by special constables by 10%	✗	64,440	76,372	69,429

Targets marked "not applicable" (n/a) were set for the first time in 2012-13 and had no comparable objective in 2011-12.

Olympics

After many years of hard work and anticipation the 2012 Olympic and Paralympic Games arrived and saw a substantial increase in capacity and demand on the railways. The Authority played a significant part in one of the largest policing operations in British history, successfully ensuring that the Games were both safe and secure whilst still being enjoyable. This was achieved at the same time as providing business as usual policing.

Crime

Crime on the railways reduced for the ninth consecutive year, down 2% compared to last year, with robbery down by 18%, serious line of route offences down 14% and criminal damage down by 12%.

Cable theft

One of the greatest challenges facing the safety and security of the network policed by the police force in recent times has been cable theft. Copper prices increased dramatically and, in parallel, incidents of cable theft soared. Very often, the stolen cable is sold on as scrap. Live cable offences on the railway caused significant disruption to the network.

In recognition of this, the Authority made significant progress in tackling metal theft during the year. Live cable offences on the railway reduced by 56%, with the detection rate increasing to 31%. The introduction of new legislation in the Legal Aid, Sentencing and Punishment of Offenders Act 2012 and the Scrap Metal Dealers Act 2013 to create a new criminal offence prohibiting cash payments to purchase scrap metal, extending the record keeping requirements of scrap metal dealers and providing local authorities and police forces in England and Wales the power to revoke scrap metal dealers' licences where they suspect illegal activity will have significant effect on BTP's operations to tackle metal theft on the railways.

The National Metal Theft Taskforce Programme (NMTTP) was announced by the Government in November 2011 and committed £5m for additional operational activity by police, other law enforcement agencies and partners to tackle metal theft. It was managed and co-ordinated by BTP. NMTTP supported 202 bids for funding and has committed financial support for operations and coordination activity aimed at reducing metal theft. It has supported National Days of Action, which on any one day have involved 40 police forces, Environment Agency, Local Authorities and HMRC as well as a host of partners including Network Rail, BT, and power companies, the UK Border Agency, VOSA and Trading Standards. Since the creation of the NMTTP, these periods of action resulted in 4,314 Scrap Metal Dealer (SMD) site visits, 747 arrests, 400 motor vehicles seized, and the seizure of numerous items of property subject to metal theft including copper, lead, cable, sculptures, cemetery plaques, gas cylinders and beer kegs. The NMTTP also financially supported the pilot and implementation of Operation Tornado tactics by forces and agencies across the country. This initiative received a high level of sign-up from SMDs, who have agreed to improve their identification

requirements for their vendors at the point of sale. Police forces reported significant reductions in recorded crime as a result of the NMTTP investment in coordination and operational support. Metal theft crime reported to British Transport Police is 51% lower overall for the performance year 2012-13 compared to the 2011-12 performance year. An average 44% reduction in metal theft has been achieved nationally across Home Office forces

Disruption target

Through our stakeholder consultation activity in recent years ‘reducing disruption’ has emerged as a key priority for our industry partners and as a result became a priority theme in our strategic plan and a target was included in the 2012-13 Policing plan to reduce the number of minutes of disruption at key locations across the rail network. Such has been the success in delivering performance against this target, that it will be widened for 2013-14 to include all locations policed by BTP.

Activities

Independent custody visits

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

Staff changes

A number of senior staffing changes were made at the Authority in 2012-13:

Police Authority members

Colin Foxall’s term of office as the member with knowledge of passenger interests and Wales came to an end on 3 January 2013 after eight years with the Authority. David Franks, a member with knowledge of industry interests resigned on 29 January 2013.

Brian Phillpott’s commenced as the Authority’s new deputy chairman on 1 April 2012. Len Jackson started as an Authority member with knowledge of passenger interests on 1 May 2012 and Bill Matthews was appointed as Member with knowledge and experience of passenger interests in Scotland on 1 November 2012.

Police Authority executive

There were no changes in the structure of the Executive. Andrew Figgures remains the Chief Executive and Elizabeth Pike remains the Authority Finance Director.

BTP senior officers

Francesca Okosi, the Director of Corporate Resources left BTP on 11 June 2012. Mark Newton was appointed as the Temporary Director of Corporate Resources on 7 May 2012.

Finance Director's report

Financial position

The net deficit for the financial year is £49.6m, £26.8m of which relates to an IAS19 pensions accounting adjustment. Once the grant in aid received from the DfT relating to the Olympic and Paralympic Games (£10.5m), the structural gap (£5.4m), the direct costs of the cable theft initiative referred to in the Chief Executives report (£4.1m), together with smaller adjustments, the operating surplus was £0.2m.

The operating surplus of £0.2m was generated after transferring an additional £0.3m to the Contingency reserve, which now totals £3.6m; after transferring £1.0m to fund further metal theft initiatives in 2013-14. A further £1.6m of the operating surplus in 2012-13 has been used to reduce the charges for the PSA holders in 2013-14.

Pension arrangements

BTP has adopted IAS 19 (Employee Benefits) in full. This has resulted in all the assets and liabilities for each defined benefit scheme run on the Authority's behalf by Railways Pension Management Ltd being disclosed (see Note 25 and 26 to the accounts). The accounting policy for pensions is disclosed in Note 1.23 to the Accounts.

An actuarial valuation of the Police Staff pension section of the RPS fund was agreed as at December 2010. The valuation presented a funding level of 108% on an asset base of £58.4m. The last full valuation of the British Transport Police Superannuation for Police Officers' fund took place as at 31 December 2009. It had an asset base of £702m and had a funding level of 95.1%. A recovery plan to make good the deficit of £36m was agreed with the Trustee of the fund. A further valuation of this fund took place as at 31 December 2012. The results will not be finalised until March 2014.

Going concern

After adopting IAS 19, the opening financial position as at 1 April 2012 shows net pension liabilities of £306.3m. The net liability of the scheme on 31 March 2013 was £474.2m, an increase of £167.9m in the year. This increase is caused by gains on the schemes investments of £80.5m and increased liabilities principally from a rise in future inflation and lower expected future returns. This liability is accounted for as a negative pension reserve. The Department for Transport, as the Authority's sponsoring department, has agreed to underwrite any pension shortfalls.

The Authority is confident that sufficient resources are available (from Police Service Agreements ("PSAs"), from service income and from grants from the DfT) to meet its approved expenditure needs because of the agreement with the DfT to fund any shortfall in income until 2012-13. From 1 April 2013 new PSAs have been entered into which allows the Authority, following consultation with the PSA holder, to recover any shortfall in income during a financial year from the respective PSA holders. Such a shortfall in income could arise from arbitration or an unanticipated or exceptional

event. In addition to this the PSA states that no dispute as to whether the correct sum has been invoiced shall give the PSA holder any right to defer or withhold payment of all or any part of any sum invoiced.

Accordingly it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Creditor payments

The Authority observes the principles of the Department of Business, Innovation & Skills (BIS) “Prompt Payment” guidance and aims to pay all approved invoices in accordance with its stated payment terms or otherwise within 30 days of receipt of a valid invoice. Copies of the guidance are available from BIS. The Authority uses the Government Procurement Card for small low risk payments. These are paid immediately to the supplier and are not included in the below statistics. The Authority had agreed a performance target for 2012-13 of 90% of invoices paid within 30 days of receipt of invoice; in 2012-13 performance was 89% (2011-12 88%). On average the Authority takes 15 days from receipt of invoice to payment.

Judicial Review

In April 2007 a new charging model was introduced by the Authority in order to improve the allocation of costs to PSA holders through a better approximation of the nature and extent of the policing activity attributable to each PSA holder. All charges were calculated based on the new charging model. The introduction of the new charging model was challenged by two PSA holders through a Judicial Review (“JR”). Prior to the JR, one PSA holder invoked an arbitration process; this began in January 2007 and was held in abeyance pending the results of the JR.

The judgement in the JR was issued on 20 March 2009. It found in favour of the challenge and ruled that the new model could not be imposed on ‘old’ PSA holders. The only way that ‘old’ style PSA holders can be charged on a new charging model is by terminating the old PSA’s and entering into a new PSA. The result was that for those PSA Holders on the “old PSAs”, the charges from 2007-08 to 2012-13 could not be calculated according to the new model and the formula which operated previously had to be applied in their case. “Old PSA” holders that were charged in 2007-08 and 2008-09 according to the new model had their charges recalculated according to their “old PSA”. As a result, some were entitled to refunds, because their revised charge is less than the original amount billed, and some were required to pay more, because the revised charge is more than the amount originally billed. The result of the Judicial Review into core PSAs and the accounts for 2008-09 reflected the impact of the review in so far as it affected core PSA charges up to 31 March 2009. The ongoing impact of the judgment has been reflected in the 2012-13 accounts. In 2012-13 the structural gap between the PSA income derived from the two charging mechanisms and the costs to be recharged totalled £5.4m and has been met by the DfT.

There was formal agreement in place with the DfT which provides for cover for the cash flow shortfalls and to meet any structural gaps arising from two different charging

models to recover the total costs of the Authority. This agreement ceased on 31 March 2013 and a revised PSA has now been signed by all but one of the core over ground PSA holders. A standard charging model has been used as the basis for charging from 1 April 2013 onwards. From 1 April 2013 the core PSA holders will now pay by direct debit on standard terms of 28 days from the date of invoice.

Unauthorised pensions

During 2011-12 it was identified that a small number of Police Officers had retired and been re-employed in substantially different roles. A change in tax legislation which provided a break in service of one calendar month or six calendar months depending on the new role and the age on retirement was stipulated. If these conditions were not met the pension payable could be deemed to be taxable. The Authority has worked closely with both HMRC and the Pensions trustee to reach a satisfactory outcome. These discussions were concluded in 2012-13. At last year end a contingent liability for the total expected exposure of up to £1 million to 2015-16 was disclosed.

During 2012-13 agreement was reached with the Trustee, HMRC and the affected members. Payments totalling £0.2m have been made on behalf of the employees affected and a further £0.5m has been provided for and £0.2m accrued for future expected liability to 2015-16.

Auditors

The accounts of the Fund are audited by the Comptroller and Auditor General (C&AG) under the Railways and Transport Safety Act (2003). The cost of the audit is £125,000. The C&AG does not undertake any non audit work for the BTPA.

As far as the Chief Executive, as Accounting Officer for the Authority and the Finance Director are aware, all relevant audit information has been made available to the auditors. The Chief Executive has taken all necessary steps required to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Post-statement additions

There are no post-statement additions.

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

A.C. Figgures CB CBE

Accounting Officer

Date 13 June 2013

Statement of Accounting Officer's responsibilities

Under the Railways and Transport Safety Act (2003) the Secretary of State for Transport has directed the Authority 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 Authority and of its income and expenditure, cash flows and taxpayers equity for the financial year.

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

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

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

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

Remuneration Report

Remuneration policy

The Remuneration Policy for Authority members is determined by the Department for Transport. The remuneration policy for senior officers of the Authority and Force is approved by the Appointments and Remuneration Committee. Its membership is detailed in the structure of the Police Authority on pages 4 to 10. Its responsibilities are set out on page 42 of the Governance Report.

Members and senior Officers – appointments and service contracts

The Authority must contain representation from various groups as set out in the Railways and Transport Safety Act, including at least four persons who have knowledge of and experience in relation to the interests of persons travelling by railway, and at least four persons who have knowledge of and experience in relation to the interests of persons providing railway services. Members of the Authority are appointed by the Secretary of State for Transport, with the intention that the Authority represents and is informed of the views and interests of these groups.

Accordingly the current composition of the Authority is as follows:

- Chair – Urmila Banerjee CBE;
- Deputy Chair – Brian Phillpott;
- 5 members with knowledge and experience in relation to the interests of persons providing railway services;
- 1 member who has knowledge of and experience in relation to the interests of employees;
- 2 members who have knowledge of and experience in relation to the interests of persons travelling by railway including those listed below;
- 1 member who has knowledge of and experience in relation to the interests of persons in Wales and who is appointed following consultation with the National Assembly for Wales – vacancy;
- 1 member who has knowledge of and experience in relation to the interests of persons in Scotland and who is appointed following consultation with the Scottish Minister; and
- 1 member who has knowledge of and experience in relation to the interests of persons in England; and passengers.

Appointment and service contracts

The table below provides details of appointment and service contracts for Authority Members and senior officers for 2012-13.

Members	Commencement of contract (date last renewed)	Term expiry date	Notice period required	Main role
Urmila Banerjee	01-12-2008 (01-12-2012)	30-11-2015	3 months	Chairman
Brian Phillpott	01-04- 2012	31-03-2016	3 months	Deputy Chairman
Lew Adams	01-07-2004 (01-07-2010)	30-06-2014	3 months	Employee Matters
Patrick Butcher	01-09-2011	31-08-2015	3 months	Knowledge of Industry
Howard Collins	01-09-2009	31-08-2013	3 months	Knowledge of Industry
Colin Foxall	04-01-2005 (01-07-2009)	03-01-2013	3 months	Passenger Interests and Wales
David Franks	01-09-2011	29-01-2013	3 months	Knowledge of Industry
Elizabeth France	01-07-2010	30-06-2014	3 months	Passenger Interests
Michael Holden	01-07-2004 (01-07-2012)	30-06-2013	3 months	Knowledge of Industry
Len Jackson	01-05-2012	30-04-2016	3 months	Passenger Interests
Bill Matthews	01-11-2012	31-10-2016	3 months	Passenger Interests and Scotland
Wendy Towers	01-07-2004 (01-07-2012)	30-06-2013	3 months	Passenger Interests and England
Anton Valk	01-09-2011	31-08-2015	3 months	Knowledge of Industry
Jeroen Weimar	01-07-2006 (01-07-2010)	30-06-2014	3 months	Knowledge of Industry

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

Appointment and service contracts *(continued)*

Authority officers	Commencement of contract	Term expiry date	Notice period required	Main role
Andrew Figgures	29-03-2010	Permanent Appointment	6 months	Chief Executive
Elizabeth Pike	01-06-2004	Permanent Appointment	6 months	Authority Finance Director
Strategic Command Team	Commencement of Contract	Term expiry date	Notice period required	Main role
Andrew Trotter	01-09-2009	31-08-2014	6 months	Chief Constable
Paul Crowther	15-09-2009	Permanent appointment	6 months	Deputy Chief Constable
Alan Pacey	09-01-2006	Permanent appointment	3 months	ACC (Territorial Policing & Crime)
Stephen Thomas	01-07-2007	Permanent appointment	3 months	ACC (Central Operations)
David McCall	08-03-2004	Permanent appointment	3 months	ACC (Scotland)
Francesca Okosi	03-10-2011	22-06-2013	1 week	Director of Corporate Resources
Mark Newton	07-05-2012	31-12-2013	3 months	Temporary Director of Corporate Resources

The Strategic Command Team is an interim structure whilst a review of the structure of the Force is carried out.

Remuneration of members and senior officers

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

The general factors taken into consideration are:

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

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

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

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

The salary of members and senior officers (audited)

	2012-13			2011-12		
	Salary	Bonus	Benefits in kind (to nearest £100)	Salary	Bonus	Benefits in kind (to nearest £100)
Members	£000	£000	£	£000	£000	£
Urmila Banerjee	30-35	-	-	30-35	-	-
Brian Phillpott	25-30	-	-	-	-	-
Lew Adams	15-20	-	-	15-20	-	-
Patrick Butcher	-*	-	-	-*	-	-
Howard Collins	15-20	-	-	15-20	-	-
Colin Foxall	10-15 #	-	-	15-20	-	-
Elizabeth France	15-20	-	-	15-20	-	-
David Franks	10-15 #	-	-	5-10 #	-	-
Michael Holden	15-20	-	-	15-20	-	-
Len Jackson	10-15 #	-	-	-	-	-
Bill Matthews	5-10 #	-	-	-	-	-
Wendy Towers	15-20	-	-	15-20	-	-
Anton Valk	15-20	-	-	5-10 #	-	-
Jeroen Weimar	15-20	-	-	0-5 #	-	-
* No salary taken # Full year equivalent £15k-20k						
Authority officers						
Andrew Figgures	100-105	-	12,300	100-105	-	9,300
Elizabeth Pike	100-105	-	15,100	100-105	0-5	15,600
Strategic Command Team						
Andrew Trotter	165-170	10-15	35,500	165-170	15-20	35,600
Paul Crowther	145-150	10-15	8,700	145-150	20-25♦	9,800
David McCall	110-115	5-10	11,200	95-100	-	23,700
Mark Newton	85-90	0-5	12,100	75-80	0-5	11,700
Francesca Okosi	55-60	-	3,300	55-60	-	5,800
Alan Pacey	115-120	10-15	10,400	100-105	15-20♦	20,700
Stephen Thomas	105-110	5-10	9,800	100-105	5-10	17,900
Bonus payments made in 2012-13 relates to performance related bonuses earned in 2011-12.						
♦ Bonus payments paid in 2011-12 relate to performance related bonuses earned in 2010-11 and 2009-10.						

Salary

Salary includes reference salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that they are subject to UK taxation and any ex-gratia payments. Expenses are not included as they are reimbursed on production of a valid receipt. Under the Authority's salary sacrifice scheme employee pension contributions are paid by the employer and the employee's salary is reduced by the pension payment. The pension contribution paid by the employer for the employee is shown as a benefit in kind.

Bonus payments

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the year prior to that reported, so that any bonus paid in 2012-13 relates to performance in 2011-12 and the comparative bonus paid in 2011-12 relates to performance in 2010-11.

As at 31 March 2013 no bonuses for 2012-13 will be paid.

Benefits in kind

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

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

Performance pay

In accordance with the guidelines of the Police Negotiating Board, a performance management regime has been implemented, where objectives for the Strategic Command Team are agreed by the Authority. The performance development reviews are initiated at the year end by the Chief Constable for the Strategic Command Team and the Chief Executive for the Authority's Executive. These are assessed by the Police Authority's Appointments and Remuneration Committee. In line with the Winsor recommendations no bonuses will be paid this year.

Median pay (audited)

	2012-13	2011-12
	£000	£000
Band of highest paid senior officer (including bonus and benefits in kind)	215-220	220-225
Median total remuneration	£35,763	£35,796
Ratio	6.1	6.2

BTPA is required to disclose the relationship between the remuneration of the highest paid senior officer and the median remuneration of the Authority's workforce.

The banded remuneration of the highest paid senior officer in the Authority in the financial year 2012-13 was £215k-£220k (2011-12: £220k-£225k). This is the Chief Constable who is not the Accounting Officer for the Authority, but is an Additional Accounting Officer for BTP. This was 6.1 times (2011-12: 6.2 times) the median remuneration of the workforce, which was £35,763 (2011-12: £35,796).

In 2012-13 no employees (2011-12: nil) received remuneration in excess of the highest paid senior officer. Remuneration ranged for £14,862 to £160,143 (2011-12: £15,337-£171,297).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include benefits in kind relating to safeguarded travel as it affects a small proportion of total employees and does not affect the median. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The reduction in the median from 2011-12 to 2012-13 is caused by employees on higher grades leaving the Force and being replaced by employees at the bottom of the equivalent pay grade. There was no pay award for officers or staff.

Pension benefits**Railways pension scheme – for Authority and support staff**

Pension benefits are provided for Authority staff through the Railways Pension Scheme British Transport Police Section. This is a registered pension scheme and intended to be a fully funded scheme which provides benefits on a "final salary" at a normal retirement age of 60. Benefits accrue at the rate of 1/60th of final average pay (less 1/40th of the final average basic state pension) for each year of pensionable service. In addition, a lump sum equivalent to 1/40th of pensionable pay for each year of service is payable on retirement. Members currently pay contributions of 10.06 per cent of pensionable earnings (less 1.5 times the basic State Pension). Pensions in payment and deferment are increased in line with Orders made under the Pensions (Increase) Act 1971.

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

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

British Transport Police Force Superannuation Fund – for Police Officers

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

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

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

On death, pensions are payable to the surviving spouse or eligible dependant at the rate of half the member's pension and pensions are available for the member's two youngest children. Survivors' pensions may not be payable in respect of members who joined after 1 April 2007 if they have less than two years' service. On death in service the scheme pays a lump sum death benefit of four times pensionable salary and also provides a service enhancement on computing the spouse's pension, which depends on length of service.

Medical retirement is possible in the event of incapacity. In this case, pensions are brought into payment immediately without actuarial reduction. If the member is unable to work in any capacity (not only as a police officer) they may be granted an enhanced pension at the Trustee's discretion.

Cash Equivalent Transfer Value (CETV)

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

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

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

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

Pension benefits (audited)

Officials	Accrued values at pension age as at 31/03/13		Real increase values at pension age		CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV
	Pension	Lump sum	Pension	Lump sum			
	£000	£000	£000	£000	£'000	£000	£000
Authority officers							
Andrew Figgures	0-5	5-10	0-2.5	0-2.5	91	58	33
Elizabeth Pike	5-10	5-10	0-2.5	0-2.5	102	74	28
Strategic Command Team							
Andrew Trotter	25-30	20-25	2.5-5.0	2.5-5.0	524	456	68
Mark Newton	45-50	65-70	2.5-5.0	2.5-5.0	711	653	58
Paul Crowther	Opted out of scheme 04-04-2012						
Alan Pacey	Retired from scheme 14-07-2012						
David McCall	Retired from scheme 01-09-2012						
Stephen Thomas	Retired from scheme 02-07-2012						
Francesca Okosi	Left BTP on 22-06-2012						

Compensation for loss of office (audited)

Francesca Okosi received the sum of £22,600 in connection with the termination of her employment with the Authority on 22 June 2012.

A.C. Figgures CB CBE

Accounting Officer

Date 13 June 2013

Sustainability Report

Commentary on sustainability performance

The Authority has been mandated to be part of the Greening Government Commitment (GGC), to become a more sustainable organisation by reducing carbon emissions, mitigating environmental impacts and minimising revenue costs.

The sustainability agenda is closely aligned with the Strategic Plan objective to deliver value for money through continuous improvement. It is an important means of delivering on the National Policing Plan target to increase value for money.

The GGC sets out quantitative and qualitative targets to achieve by 2014-15, starting from a baseline year in 2009-10. The scheme requires:

- a 25% reduction in carbon emissions from buildings and transport;
- a 20% reduction in business travel flights;
- a 25% reduction in waste;
- a 25% reduction in paper consumption; and
- a net reduction in water consumption per full time employee.

The Authority's progress towards meeting GGC targets is overseen by the Department for Transport (DfT) and is monitored by the Cabinet Office and HM Treasury. Best practice ideas are being shared with the Department for Transport Sustainability Group and with the National Police Estates Group Environment Team.

Summary of performance

- Performance against GGC targets is summarised in Table 1. The changes from the 2009-10 baseline were:
 - a 0.1% increase in carbon emissions;
 - a 42% reduction in business travel flights;
 - an 11% reduction in waste;
 - a 15% reduction in paper consumption; and
 - a 22% reduction in water consumption.

Table 1: BTP's Performance against Greening Government Commitment Indicators (restated because of improved data collection)

		2009-10	2010-11	2011-12	2012-13	Change between 2009-10 and 2012-13
Energy* and Travel	Greenhouse Gas (GHG) Emissions	8,642 tCO ₂	8,115 tCO ₂	8,613 tCO ₂	8,629 tCO ₂	-0.14%
Electricity**	Energy Emissions	9,213,910 kWh 5,014 tCO ₂	8,373,377 kWh 4,565 tCO ₂	9,074,375 kWh 4,761 tCO ₂	8,721,061 kWh 4,575 tCO ₂	-8.8%
	Expenditure	£1,151k	£850k	£1,022k	£1,037k	-£114k
Gas**	Energy Emissions	2,809,289 kWh 517 tCO ₂	1,974,092 kWh 366 tCO ₂	3,194,886 kWh 587 tCO ₂	2,977,655 kWh 547 tCO ₂	+5.8%
	Expenditure	£147k	£117k	£148k	£137k	-£10k
Business Travel and Fleet***	Rail	61.8 tCO ₂	60.2 tCO ₂	42.5 tCO ₂	85.4 tCO ₂	+38%
	Domestic Air	208 flights 29.5 tCO ₂	198 flights 24.6 tCO ₂	97 Flights 12.4 tCO ₂	120 Flights 15.3 tCO ₂	-42% -48%
	International Air	20.3 tCO ₂	7.1 tCO ₂	14.2 tCO ₂	12.1 tCO ₂	-40%
	Business Travel Expenditure	£550k	£412k	£341k	£450k	-£100k
	Fleet Fuel (Owned)	1,098,000 litres 2,929 tCO ₂	1,145,000 litres 3,065 tCO ₂	1,177,000 litres 3,151 tCO ₂	1,264,000 litres 3,38 tCO ₂	+15.6%
	Fuel Expenditure	£1,275k	£1,501k	£1,800k	£1,811k	+£515k
	Total Travel	3,028 tCO ₂	3,155 tCO ₂	3,211 tCO ₂	3,493 tCO ₂	+15.4%
Waste****	General Waste Weight	453 tonnes	311 tonnes	400 tonnes	405 tonnes	-10.6%
	General Waste Expenditure	£68k	£47k	£60k	£63k	-£5k
Water*****	Water use	35,449 m3	27,567 m3	28,086 m3	27,754m3	-22%%
	Water Use/FTE	8.4M3/FTE	6.6m3/FTE	6.7m3/FTE	6.0m3/FTE	
	Expenditure	£77k	£70k	£79k	£80k	+£3k
Procurement	Office Paper	17,851 reams	16,577 reams	15,303 reams	15,200 reams	-14.9%

* Carbon emissions from oil use in tonnes of carbon dioxide (tCO₂) are included in the GHG emissions data.

** The occasional missing gas and electricity invoice, where no consumption data was then available, required back-estimation from the charged amount using a procedure that was internally audited.

*** No data for travel on London Underground, taxis, buses, trams, coaches, mileage claims using grey fleet (staff's own vehicles) or Government Procurement Card. No data available for refrigerant gas consumption in air conditioning systems.

**** Where waste tonnage data has not been available from a particular supplier, data includes back-calculations based on charges and calculated unit costs.

***** Water data includes some landlord's billed estimates which are pro-rata calculated from the site water bill, using occupied floor-space of the premises as a proportion of the overall metered area.

GHG emissions – buildings

The Authority occupies 140 leased properties across England, Wales and Scotland. Data on energy costs and kWh consumption was used to develop business cases for sustainability projects. Office space with an area of 1,692 m² at 140-144 Camden Street, London is being vacated and around 80 staff will move next door to FHQ Camden Road in June 2013. Space to receive these staff at FHQ was created by removing internal walls and reorganising the desk footprint. Energy and water costs should be cut by around £65k pa, whilst carbon emissions are expected to be reduced by 185 tonnes CO₂. This project will establish the space allocation and building design principles for further rationalisations of the built estate.

A budget of £250k was secured for energy efficiency projects in 2012-13. The approved projects will include more efficient control of air conditioning and lifts at FHQ, and lighting upgrades to LEDs for the whole force. As well as cutting electricity costs, re-lighting costs will also be significantly reduced. The aim is to cut revenue costs by £80k and cut carbon emissions by 423 tonnes. This will be a 5% cut in the organisations overall carbon emissions.

Staff in Cardiff were moved from Fitzalan House to Callaghan Square. This was expected to cut energy costs by £12.5k pa and reduce carbon emissions by 59 tonnes CO₂. New premises were opened in Maidstone Station, Kent and Neville House, Newcastle. There was a move from one portacabin in Nottingham to another. It is as yet unknown what increase in energy consumption, carbon emissions or costs these new premises may contribute. All lighting at Scotland AHQ, Cowcaddens Road, Glasgow was replaced with highly efficient LEDs. This is expected to reduce energy and maintenance costs by £15.5k pa, and cut carbon emissions by 33 tonnes CO₂. During the refurbishment of the 2nd and 3rd Floors at FHQ Camden Road, London, improvements were made to lighting control. Daylight sensors were installed next to windows to dim lighting during the day. Occupancy sensors were also installed in the meeting rooms so that air conditioning and lighting goes off when the room is not in use.

The PC replacement programme has replaced about 300 old desktop computers with newer models and reduced the power ratings, cutting revenue costs and saving 11 tonnes of CO₂. An audit has taken place of air conditioning units across all premises. This will then inform a programme for improved maintenance and control, to cut energy costs.

GHG emissions – fleet

Carbon emissions from the vehicle fleet were increased by 7.4% in 2012-13.

The Authority has 570 owned or leased vehicles. The ongoing replacement programme uses the Home Office Procurement Framework set up by the National Association of Police Fleet Managers. This tends to replace vehicles with more fuel efficient ones. Fleet vehicle efficiency data is sent out each month to BTP Areas. During the year, areas were shown how to use this data to encourage drivers to enhance their use of vehicles.

GHG emissions – business travel

BTP daily polices over 10,000 miles of the national rail system, more than 2,500 national rail stations and 5.5 million passengers on national rail, London Underground and the Docklands Light Railway. This requires sizeable business travel by rail across England, Wales and Scotland. However there was 32% more spent on rail travel. 2012-13 air travel spend has decreased by 12% from the previous year and since 2009-10 there has been a 45% drop. The number of domestic air journeys remains 42% down on 2009-10.

Waste

The Go Green logo was launched in February 2013, supporting a request to staff to adopt the e-payslips system and end the printing and distribution of monthly payslips. Go Green will also be used to brand other sustainability initiatives, so raising staff awareness about links between going green, saving money and reducing corporate risk.

A new mobile phone (and Blackberry) and phone battery disposal contractor has been sourced by the Communications team. Disposal is now compliant with the Waste Electrical and Electronic Equipment Regulations, which means that Waste Transfer Notes are provided on disposal of equipment to guarantee that the waste is being disposed of legally. BTP also must sign these Waste Transfer Notes confirming that the equipment could not be reused within BTP, in line with the waste hierarchy set out in the Waste Regulations 2011. GGC requires a 25% reduction in paper consumption by 2014-15. Paper consumption has been reduced by 15% over the first three years of the programme.

Water

GGC targets require an absolute reduction in water consumption. Between 2009-10 and 2012-13, a 22% reduction has been achieved, or 7,965 m³. Building rationalisation at London FHQ properties resulted in 2,327 m³ of water saved.

In 2012-13, there were 3 best practice premises (8.3%), 4 good practice (11.1%) and 29 poor practice ones (80.6%). This is an improvement on the baseline data from 2009-10 in 3 premises, and a decline in another. Average water efficiency in metered premises was 7.0 m³/FTE (use per full time equivalent staff member) in 2012-13. This is a change of 47% reduction from the baseline year in 2009-10.

Sustainable procurement

A multi-functional device (MFD) procurement programme is under way. A print audit has been carried out to identify potential savings at a set of sample sites, including one in BTP's London Underground Area. This will provide information that will form the basis of a new tender document. The procurement is fully compliant with the Government Buying Standards for MFDs, a requirement under GGC. This means the

parts are fully recyclable at the end of their life. Electricity, printer ink and paper costs may be saved if “pull” strategies are chosen to ensure unwanted documents are not printed by accident or out of habit. The Display Energy Certificate contract was tendered for a 4-year period, to save about £5k per annum.

Governance

The Sustainability manager has been relocated from the Corporate Services Support team (Estates) to the Corporate Resources Business team, which is more focused on business change management. This has given sustainability a higher profile within BTP and makes organisational change easier.

The following key performance indicators were approved and support quarterly reporting of GGC targets:

- Carbon emissions from energy and transport fuel;
- Waste weight;
- Water volume per full time equivalent employee; and
- Paper use in offices.

Future initiatives

The London Mayor’s Re:FIT programme is being investigated to increase the energy and water efficiency of the built estate. Waste management storage and transport processes will be reviewed. Government buying standards will be embedded into procurement contracts. Data will be requested on energy and fuel consumption from major contractors carrying out core services for the force. Options for vehicle fleet sustainability are under review.

Governance Statement

Accounting Officer's Introduction to Corporate Governance

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

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

The Authority Chair and I, as Chief Executive of the Authority, meet the ministerial team at the Department for Transport on a regular basis to discuss relevant issues of policy and strategy. The Chief Constable also meets the Secretary of State and her team on a regular basis. The Governance statement sets out the way in which the Police Authority works and the Committees and processes which are in place to ensure that the Authority discharges its responsibilities to the Secretary of State.

The Structure of the Police Authority

The purpose of the Authority is to ensure an efficient and effective police force. Its statutory duties are:

- Secure the maintenance of an efficient and effective police force;
- Ensure the efficient and effective policing of the railways;
- Appoint the Chief Constable, Deputy Chief Constable, Assistant Chief Constables and the Director of Corporate Resources;
- Enter into Police Service Agreements with railway operators;
- Regulate the government, administration and conditions of those employed by the Force;
- Set a strategy for policing the railway;
- Set objectives for the policing of the railway; and
- Set the budget each year of expected income and expenditure and recover the costs.

In discharging these functions the Authority bases its decisions on:

- the requirements of passengers, staff, other rail users and stakeholders in relation to personal security and policing;
- the professional advice from the Chief Constable; and
- the commercial and operational challenges of the rail and train operating companies and their priorities for policing.

With this knowledge, as an independent body, the Authority then makes its own judgements about how to secure an efficient and effective police force which it reflects in its Strategy, Policing Plan and budget decisions.

The Chairman and members of the Authority are appointed by the Secretary of State. Members are drawn from people who have experience of the rail industry, railway staff, and the travelling public, and others with designated experience but they are not intended to be representatives of those interests. There are also Members with knowledge of the interests of persons in England, Scotland and Wales, in the case of the latter two appointed in consultation with Scottish ministers and the Welsh Government respectively. In the Authority, members work together and act as a single corporate body.

The Chair has particular responsibility to provide effective and strategic leadership to the Authority. The Chair will ensure that all members of the Authority, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities and will undertake an annual appraisal of Members of the Authority. The Chair will work closely with the Chief Constable and the Chief Executive to facilitate the business of the Authority.

Members each have a corporate and collective responsibility to ensure that the Authority properly discharges its functions. In doing so, each Member is required to attend all full Authority meetings and the meetings of those committees and groups to which they have been allocated. In addition to attendance at full Authority and committee meetings, the Authority may agree that members should take on additional roles to assist in furthering the Authority's objectives.

Details of the members are set out on pages 4 to 10 of the Management Commentary.

Attendance by the members during the year at the full Authority is set out below:

Member name	Percentage on meetings attended	Number of full Authority meetings eligible to attend	Number of full Authority meetings attended
Members as at 31 March 2013			
Urmila Banerjee	100%	6	6
Brian Phillpott	100%	6	6
Lew Adams	100%	6	6
Patrick Butcher	83%	6	5
Howard Collins	67%	6	4
Elizabeth France	100%	6	6
Michael Holden	83%	6	5
Len Jackson	67%	6	4
Bill Matthews	75%	4	3
Wendy Towers	100%	6	6
Anton Valk	100%	6	6
Jeroen Weimar	83%	6	5
Members who left during the year			
Colin Foxall	75%	4	3
David Franks	50%	4	2

Executive Team

The British Transport Police Authority has an Executive team of ten led by myself, Andrew Figures, Chief Executive. I am the principal advisor to the Authority and I lead and direct the Authority staff to ensure the Authority achieves its objectives. I am also the Accounting Officer of the Authority.

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

How the Authority Works

Each year the full Authority:

- Updates its medium term strategy and annual policing plan in consultation with its stakeholders.
- Ensures that BTP is adequately resourced and has a budget that reflects the strategy, plans and priorities agreed with the Chief Constable and provides value for money.
- Recovers the costs of policing the network, from the rail and train operating companies who use it.
- Keeps under review what happens on the ground to ensure that objectives are achieved and to inform the roll forward of the strategy and plans.

The Authority has agreed an annual business cycle for its work to help it ensure that it maintains focus on key work streams in a timely and efficient way. It meets six times a year. There are three Authority meetings where there is a fixed agenda and specific annual decisions and approvals are required.

Standard decisions to be made through the year:

- Approve a budget, strategy and medium term financial plan in December of each year.
- Approve a policing plan in March.
- Approve annual accounts for signoff by the Accounting Officer in June.

The Authority conducts most of its business through its meetings. It appoints groups of Authority members as necessary to take forward its business and to handle specific matters.

The Chair of the Authority after consultation with members and the Chief Executive is authorised to appoint to such groups as necessary. All such groups will be reviewed at the annual meeting of the Authority.

All decisions are made at the full Authority unless specifically delegated to a Group or Committee and enshrined in its terms of reference. The full Authority retains total responsibility for governance. The Authority has reviewed its governance arrangements during 2012-13 and is satisfied that it has complied with the code of governance in place during the year.

During the year the Authority made the following key decisions:

- The Authority approved the use of £1.6m of the under spend against budget in 2012-13 to reduce the charges for the overground PSA holders in 2013-14.
- The assumptions and the results of the valuation of the Police Staff Pension scheme were agreed with the Trustee of the scheme.
- The financial scheme of delegation was refreshed and the Cabinet Office required authorisations were incorporated in these delegations.

- The governance of the Authority was reviewed and the revised Committee structure was approved. This will be effective for 2013-14.
- After consultation with the overground PSA holders and approval by the Secretary of State for Transport, a newly worded Police Service Agreement was agreed. This is in place from 1 April 2013.
- A revised PSA with TfL was negotiated, incorporating all the enhanced PSAs. The agreed draft was submitted to the Department for Transport for approval.
- The overall budget for the PSA charges was increased by 1.8% for 2013-14.

The Authority also maintains three standing committees, which are:

- Audit Committee.
- Professional Standards Committee.
- Appointments and Remuneration Committee.

Throughout the year groups established by the Authority take place. These are supported by the Executive and BTP staff. The purpose of these groups is to lead the preparation of material and the framing of discussions and decisions prior to the Authority meetings and on behalf of the Authority act as sponsor to the work theme. There are five groups that will operate through each Authority business cycle. Other groups may be formed where there is a clear need. The terms of reference for these ad hoc groups will be approved by the Authority. The Groups in operation during 2012-13 were the Strategy group; the Strategy steering group; the Finance group; the Performance review group; the Policing plan group and the Pensions working group.

The purpose of the Audit Committee is to:

- Keep under review and advise the Authority on all matters relating to the internal and external audit of the Authority. To provide an opinion on the effectiveness of the monitoring processes and whether reliance can be placed upon all internal control systems.
- Assess and recommend to the Authority action in respect of:
 - The effectiveness of financial management, internal business processes and control systems.
 - The performance, effectiveness of and results from the Authority's audit arrangements, both internal and external (including HMIC).
 - The implementation of agreed audit-based recommendations from any management letters received from internal or external auditors.
 - The accounting policies and the accounts, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.
 - The Authority's plan for risk management, business continuity (including disaster recovery) and the strategic processes for risk, control and governance and the Governance Statement.
- To decide and agree
 - The planned activity for internal audit, including the arrangements for and the appointment of the Authority's internal auditors.
 - The annual Internal audit Plan.

- The Force's policies on fraud, irregularity and corruption, and to monitor the effectiveness of such policies.

During the year the Audit Committee scrutinised and agreed the accelerated year end timetable to comply with the whole Government accounting and undertook a detailed review on the controls surrounding the employment and re-employment of staff and the impact of the tax legislation on pension payments made to staff.

The Appointments and Remuneration Committee has delegated responsibility from the Authority to approve the remuneration packages and performance related pay for executive appointments at the Authority and chief officers and equivalents at BTP. In regards to police officer and staff terms and conditions below the chief officer rank, the Panel is given the responsibility of reviewing the detail and making recommendations to the full Authority. It currently has no delegated powers to approve proposed terms and conditions changes for officers and staff.

The purpose of this Professional Standards Committee is to:

- Oversee the work of the Professional Standards Department and to make appropriate recommendations to the Chief Constable.
- Review progress of cases/complaints that are under investigation.
- Track trends in relation to public complaints, non complaint investigations and investigations into civil claims and internal matters conducted by the Professional Standards Department (PSD) and make recommendations as appropriate.
- Satisfy itself as to the operation of the Complaints and Discipline processes within the Force.
- Investigate and deal with any allegations, report and complaints about the conduct of officers of ACPO rank in accordance with appropriate regulations and to consider all matters relating to discipline against ACPO rank officers, within police regulations and report to the Authority as appropriate. For the purpose of conducting these matters a subcommittee of a minimum of three members may be formed and will report to the Authority as appropriate.
- Monitor the mandatory requirement for referral of cases.
- Monitor the output from the independent custody visiting scheme and escalate any issues as appropriate.

The overall aim of the working groups is to allow a small number of Members to work closely with the executive and the Force to scrutinise specific areas of interest to enable recommendations to be made to the full Authority. They have delegated powers of approval. The aims of each of the working groups are set out below.

The Strategy group is responsible for ensuring the Authority and BTP has an up to date three year strategy and ensuring that stakeholders are consulted during its preparation. An additional group, the Strategy steering group was set up during the year to review in detail and propose the strategy for the Authority.

The Finance group supports the Authority in setting a budget and capital programme and in assessing financial performance during the year. It also scrutinises the PSA charges calculated through the charging model to ensure they have been calculated correctly.

The Policing plan group ensures the translation of the three year strategy into an annual policing plan. It determines with BTP the necessary metrics required to monitor performance against this plan and seek approval from the Authority.

The Performance review group is responsible for supporting the Authority in agreeing and assessing police performance on KPIs. It ensures that there is consultation with statutory stakeholders in matters relating to the policing plan.

Risk management

Approach

Risk management is embedded in the management of the Authority and supported by the Authority Finance Director and a professional risk manager within BTP. This approach is underpinned by a policy and standard operating procedure as well as a risk reporting regime that is available to all employees. Risks are assessed against their potential impacts on safety, finance, performance and reputation on a four-point scale and are considered from both operational and strategic perspectives.

Risk appetite within the Authority is defined by the ability of individual departments to manage risks without recourse to other parts of the organisation rather than by set escalation criteria. Risks are monitored through risk registers which are reviewed through the senior management Team structures throughout the Authority. The Force management team review both strategic and operational risks on a quarterly basis. The Strategic risks are then reviewed quarterly at Audit committee meetings alongside the Authority's Strategic risks. These are also presented on a quarterly basis to meetings of the full Authority. The quarterly summary of risks is presented to the Department for Transport sponsorship team and consolidated into the overall Department risk register.

Principal risks

Strategic risks are rated as high, medium or low dependant on their impact and likelihood. The Authority has considered the risks and during 2012-13 the major risks faced are summarised in the following table:

Thematic risk	Narrative
Police Service Agreements	The Authority is required to establish new Police Service Agreements for introduction in time for 2013-14. The threat of failure is a high priority for the Authority and work to develop and agree the new PSA has continued throughout 2012-13. A draft copy of the new PSA was sent for consultation with the rail industry and the responses reviewed by the Authority on 29 March 2012. The Authority considered the responses and where possible made changes to the draft. The PSA was agreed by the Secretary of State in January 2013 and was issued to all relevant PSA holders for signature in March 2013. At the time of writing this report, all but one have been signed and sealed. Discussions with the Department for Transport, the Train Operating Company and the Authority continue on the outstanding PSA.
Charging model	Associated with the new PSA is the implementation of a standard mechanism for charging the rail industry for the police services that they receive. Development of the replacement model based on the existing Matrix model has continued throughout 2012-13. Consultation with the rail industry took place and the Authority agreed in 2011-12 to continue to use the Matrix model. The core charges for 2013-14 were all calculated by mean of the matrix model. At the time of writing the report all invoices are being paid and no disputes have been raised.
Pension funds	The Authority has responsibility for overseeing the management of police officer and police staff pension funds. These funds are managed separately in recognition of the significantly different contribution rates and benefits related to police officer and police staff pensions. The Authority manages these risks through a Pensions Working Group. This group proposed new governance arrangements for the police officer pension fund to Authority membership in May which were agreed, and resulted in a new investment strategy which has been accepted by the pension fund trustees. Both the governance and the investment strategy have been introduced during 2012-13. The police officers pension fund is being valued as at 31 December 2012, the previous valuation showed a funding deficit of £36 million and a recovery plan was agreed with the Trustee of the Scheme. It is not expected that the deficit as at 2012 will be materially different from the 2009 valuation.

Thematic risk	Narrative
Unauthorised pension payments	<p data-bbox="496 282 1383 723">During 2012-13 it was identified that eighteen Police Officers had retired and been re-employed in substantially different roles. A change in tax legislation which provided a break in service of one calendar month or six calendar months depending on the new role and the age on retirement was stipulated. If these conditions were not met the pension payable could be deemed to be taxable. The Authority has agreed the treatment of these payments with the HMRC and the Treasury have approved the payments to be made on behalf of the individuals. Compromise agreements have been signed with the individuals involved. Payments of £217k were made during 2012-13 and a further accrual of £155k and a further provision of £500k has been provided for the estimated total liability to 2015-16.</p> <p data-bbox="496 763 1214 824">Controls on recruitment and re-employment have been implemented during the year.</p>
Police and Crime Commissioners	<p data-bbox="496 842 1394 969">During the year, Police Authorities in the Home Office have been replaced by Police and Crime Commissioners (PCCs). The Authority need to manage the expectations of the PCCs to ensure that the resources can deliver what is being requested.</p>
The 2012 Olympic and Paralympic Games	<p data-bbox="496 992 1369 1294">The impact of the 2012 Games on BTP had been recognised at an early stage and detailed planning over several years ensured that BTP was fully prepared for the Games. Mutual Aid across BTP meant that all Areas were able to support the transport policing requirement at the same time as delivering business as usual policing on the rest of the network. Control Room capacity was boosted for the duration of the Games by reallocating resources to support identified requirements, and limitations on abstractions through annual leave and training were imposed.</p> <p data-bbox="496 1335 1369 1637">The level of preparation for the Games was vindicated by the entirely successful delivery of Games transport policing alongside business as usual duties. Following the Games, the legacy issue of outstanding annual leave entitlement is being managed by a combination of allowing employees to 'sell' leave entitlement back to BTP or to take a higher proportion of annual leave for 2012 in 2013 than would normally be the case. The lessons learned from the Games will influence planning for the forthcoming 2014 Commonwealth Games in Scotland, albeit at a smaller scale.</p>

Thematic risk	Narrative
Ability to respond to terrorist attack	<p>2012-13 was the first full year in which BTP had the capability to have officers equipped with firearms on active patrol at key locations. This was an important part of the strategy that sought to deliver a safe and successful Olympic and Paralympic Games.</p> <p>In the absence of any incidents requiring an armed response, Accredited Firearms officers are required to maintain a high level of training to enable them to respond as required. Work to address the issue by which BTP officers are unable to be collectively licensed to carry firearms (instead individual officers are licensed by the Home Office force with responsibility for their home address) is in progress.</p>
Winsor review	<p>The Police Arbitration Tribunal (PAT) recommended the adoption of a number of changes to Police officer pay and conditions following publication of Part 2 of the Winsor Review in March 2012. These changes were endorsed by the Home Secretary and implemented by Home Office police forces from 1 April 2013.</p> <p>Consideration of the implications of the second part of Winsor for BTP continues between BTP, BTPA, Police Federation and the Superintendents' Association, and direction on the approach that will be adopted across BTP is expected during 2013-14. This is complicated by the decision of the Scottish Government not to implement the recommendations for the new single police force for Scotland.</p>
Theft of conductive metals from the railway	<p>The theft of conductive metal from the rail network remained a high priority for the Authority throughout 2012-13. Working in partnership with the rail industry, the Authority has achieved a reduction in metal theft of approximately 50%. This is led by a comprehensive programme of operational activity.</p> <p>As well as the rail industry the Authority works in partnership with other partners affected by conductive metal theft including BT and the Highways Agency. BTP takes an active part in the ACPO working group on metal theft.</p> <p>A significant change in legislation that outlawed cash transactions for scrap metal in November 2012, and a further piece of legislation, the Scrap Metal Dealers Act 2013 has received Royal Assent ahead of full implementation in Autumn 2013.</p>
Financial uncertainty	<p>The Authority recognises the ongoing uncertainty affecting the wider UK economy and the pressures this places on partners in both the policing and rail industries. This is recognised in the Medium-Term Financial Plan which is updated each year to include current threats and challenges as they become apparent. This supports the longer term Strategic Plan which is aligned to Network Rail's Control Period 5.</p>

Thematic risk	Narrative
Scotland Act	The Police and Fire Reform (Scotland) Bill introduced by the Scottish Government in 2012 represented a significant threat to BTP in Scotland as the original draft made no provision for the continuation of policing powers for BTP officers in Scotland. The Authority collaborated on a joint response to the initial consultation, and worked with their lawyers to ensure that a Section 104 Order under the Scotland Act was enacted in time for the implementation of the Single Police Service for Scotland on 1 April 2013.
Legislative anomalies	As a police service falling under the remit of the Secretary of State for Transport rather than the Home Secretary, BTP together with other non-Home Office police forces is sometimes overlooked when legislation affecting the powers of police forces is drafted. Specific examples include the ability to license firearms officers as noted above and the power to require registered owners of vehicles to provide information under the Road Traffic Act. The Authority has recognised that there is a need to address these issues as a piece, and have started a review of where legislative anomalies create a threat. This piece of work will prioritise identified threats on a risk informed basis, and allow escalation to the DfT as appropriate.

Commentary on internal control

The Authority's internal auditors, Tribal, have a specific brief to take a risk based approach to auditing. An annual plan was agreed by the Authority. The planned work for 2012-13 has been carried out. All areas of weakness identified are addressed through management action plans.

The requirement for the Authority to complete and return the DfT Management Assurance Return on a half-yearly basis was retained during 2012-13. The Authority use the work associated with completing this return as a basis to identify potential weaknesses in systems of internal control which inform the planning of the annual internal audit plan.

Whilst considerable progress has been sustained throughout the year, and the robustness of the assurance has been improved, further work is planned to encourage continuous improvement and prevent risk-averse attitudes undermining achievement of objectives. BTP established an Integrity and Compliance Board, which has significantly strengthened both the pro-active and also the reactive actioning and monitoring of the internal control arrangements. Internal audit and the NAO are consulted on all significant proposed changes.

Data security issues

The Authority has recorded no data security breaches that it was not able to manage adequately or resolve.

Conclusion

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and compliance with the Corporate Code of Governance for the Authority. My review is primarily informed by the work of internal audit, by the management assurance reporting of the Authority Finance Director and the executive managers in BTP who are responsible for the development and maintenance of the internal control framework and by comments made by external auditors in their management letter and other reports. The Chief Constable as Additional Accounting Officer has written to me at the year end confirming that all managers who have been provided with delegated responsibility have understood and fulfilled their responsibilities with regard to the operating cost budget.

The 2012-13 annual internal audit report has stated that during the financial year there had been significant strengthening of the internal control framework throughout the Authority. It stated that the Authority is committed to achieving high levels of transparency and accountability in all aspects of the operations and systems. On the basis of the evidence obtained during 2012-13, our internal auditors were able to provide an overall reasonable assurance rating on the adequacy and effectiveness of the Authority's arrangements for corporate governance, risk management and internal control.

I am therefore confident that the Authority has in place a robust system of accountability, which I can rely on as Accounting Officer, and which complies with the corporate Governance code. The system allows me to provide the assurance that the Authority will spend its money in line with the principles set out in Managing Public Money.

Having reviewed the evidence provided to me by the management assurance exercises, the risk registers, the summary annual 2012-13 report presented by the internal auditors and the external audits of the fund, I am satisfied that the Authority has maintained a sound system of internal control during the financial year 2012-13.

A.C. Figgures CB CBE

Accounting Officer

Date 15 June 2013

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

I certify that I have audited the financial statements of British Transport Police Fund for the year ended 31 March 2013 under the Railways and Transport Safety Act. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of British Transport Police Fund's affairs as at 31 March 2013 and of the net deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways and Transport Safety Act and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Railways and Transport Safety Act; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

Date

Statement of comprehensive income

for the year ending 31 March 2013

	Note	2012-13 £000	Restated 2011-12 £000
Income			
Police Service Agreement income	3	193,458	193,582
Other income	3	74,489	71,146
		<u>267,947</u>	<u>264,728</u>
Expenditure			
Staff costs	4	(237,243)	(222,721)
Depreciation and amortisation	5	(12,060)	(11,350)
Other expenditure	5	(55,835)	(49,581)
		<u>(305,138)</u>	<u>(283,652)</u>
Net deficit		(37,191)	(18,924)
Net interest receivable		198	177
Net interest payable for pension schemes	25	(12,600)	(420)
		<u>(49,593)</u>	<u>(19,167)</u>
Net deficit for the financial year			
Other comprehensive income			
Net gain on revaluation of property, plant and equipment		4,027	680
Actuarial losses on defined benefit pension schemes	26	(141,080)	(91,400)
		<u>(137,053)</u>	<u>(90,720)</u>
Total comprehensive deficit for the year ended 31 March 2013		<u>(186,646)</u>	<u>(109,887)</u>

The deficit for the financial year is transferred to the income and expenditure reserve. Movements in the income and expenditure reserve are set out in Note 24.

Further details explaining the movement from the operational surplus to the net deficit can be found in the management commentary.

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

Statement of financial position

as at 31 March 2013

	Note	2013 £000	Restated 2012 £000	£000
Non-current assets:				
Property, plant and equipment	6	51,773	50,259	
Intangible assets	7	6,161	7,155	
Trade and other receivables	10	96	153	
Total non-current assets:				58,030
Current assets				
Inventories	9	786	685	
Trade and other receivables	10	20,605	23,905	
Cash and cash equivalents	11	29,650	23,592	
Total current assets:				51,041
Total assets				109,071
Current liabilities				
Trade and other payables	12	(32,433)	(31,047)	
Provisions for liabilities and charges	13	(1,266)	(629)	
Total current liabilities				(33,699)
Non-current assets plus net current assets				75,372
Non-current liabilities				
Pension liabilities	25	(474,180)	(306,270)	
Other payables	12	(1,028)	(1,134)	
Total non-current liabilities				(475,208)
Assets less liabilities				(399,836)
Taxpayers' equity				
Income and expenditure reserve	24	68,839	68,670	
Revaluation reserve		5,505	4,269	
Pension reserve	25	(474,180)	(306,270)	
				(399,836)
				(399,836)
				(233,331)

The financial statements on pages 54 to 97 were approved by the Authority on 13/06/2013 and were signed on its behalf by:

Signed A.C. Figgures

Accounting Officer

13 June 2013

Accounting policies and notes forming part of these accounts are on pages 60 to 97.

Statement of cashflows

for the year ending 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Net deficit for the financial year		(49,593)	(19,167)
Loss on disposal of non-current assets	5	299	37
(Increase)/decrease in trade and other receivables	10	3,357	(2,361)
Increase in inventories	9	(101)	(240)
Increase in trade payables	12	1,280	3,098
Use of provisions	13	637	(1,074)
Depreciation charges	6	9,705	9,539
Amortisation charges	7	2,355	1,811
MHCA revaluation adjustment		2,493	726
Pension charges	26	14,230	11,190
Net interest payable for pension schemes	26	12,600	420
Decrease in tangible asset accruals – non cash additions	6	(871)	(1,508)
Decrease in intangible asset accruals – non cash additions	7	(16)	681
Net cash flow from operating activities		(3,625)	3,152
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(9,297)	(9,442)
Purchase of intangible non-current assets	7	(1,347)	(3,928)
Proceeds of disposal of property, plant and equipment		186	174
Net cash flow from investing activities		(10,458)	(13,196)
Cash flows from financing activities			
Grants from sponsoring department		20,141	14,993
Net financing		20,141	14,993
Net increase/(decrease) in cash and cash equivalents in the period		6,058	4,949
Cash and cash equivalents at the beginning of the period	11	23,592	18,643
Cash and cash equivalents at the end of the period	11	29,650	23,592
	11	(6,058)	(4,949)

Accounting policies and notes forming part of these accounts are on pages 60 to 97.

Statement of changes in taxpayers' equity

for the year ending 31 March 2013

	Note	Restated income and expenditure reserve £000	Restated revaluation reserve £000	Pension reserve £000	Restated total reserve £000
Balance at 31 March 2011		60,012	4,358	(203,260)	(138,890)
Changes in accounting policy		453	0	0	453
Restated balance at 01 April 2011		<u>60,465</u>	<u>4,358</u>	<u>(203,260)</u>	<u>(138,437)</u>
Changes in taxpayers' equity 2011-12					
Net gain on revaluation of property, plant and equipment and motor vehicles		0	680	0	680
Pension movement		0	0	(91,400)	(91,400)
Transfer between reserves		12,379	(769)	(11,610)	0
Comprehensive income for the year	27	<u>(19,167)</u>	<u>0</u>	<u>0</u>	<u>(19,167)</u>
Total recognised income and expense for 2011-12		(6,788)	(89)	(103,010)	(109,887)
Grants from sponsoring entity					
Revenue grant in aid received		14,577	0	0	14,577
Capital grant in aid received		416	0	0	416
Total grants received		<u>14,993</u>	<u>0</u>	<u>0</u>	<u>14,993</u>
Balance at 31 March 2012		68,670	4,269	(306,270)	(233,331)
Changes in accounting policy		0	0	0	0
Restated balance at 01 April 2012		<u>68,670</u>	<u>4,269</u>	<u>(306,270)</u>	<u>(233,331)</u>
Changes in taxpayers' equity 2012-13					
Net gain on revaluation of property, plant and equipment and motor vehicles		0	4,027	0	4,027
Pension movement		0	0	(141,080)	(141,080)
Transfer between reserves		29,621	(2,791)	(26,830)	0
Comprehensive income for the year		<u>(49,593)</u>	<u>0</u>	<u>0</u>	<u>(49,593)</u>
Total recognised income and expense for 2012-13		(19,972)	1,236	(167,910)	(186,646)
Grants from sponsoring entity					
Revenue grant in aid received		20,141	0	0	20,141
Capital grant in aid received		0	0	0	0
Total grants received		<u>20,141</u>	<u>0</u>	<u>0</u>	<u>20,141</u>
Balance at 31 March 2013		<u>68,839</u>	<u>5,505</u>	<u>(474,180)</u>	<u>(399,836)</u>

The income and expenditure reserve for 2011-12 has been restated. Further details can be found in note 27.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the British Transport Police Authority (the Authority) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority for 2012-13 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and follow the requirements of the 2012-13 Government Financial Reporting Manual.

The opening financial position as at 1 April 2012 shows net pension liabilities of £306.3m. This is owing to full implementation of IAS 19 Employee Benefits, requiring the costs and benefits of pension schemes relevant to the Authority to be reflected in the statement of accounts. The net liability of the scheme on 31 March 2013 was £474.2m, an increase of £167.9m in the year. This increase was caused by losses on the schemes investments and increased liabilities. This liability is accounted for as a negative pension reserve. The Department for Transport, as the Authority's sponsoring department, has agreed to underwrite any pension shortfalls.

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

1.2 Recent accounting developments

Standards

A number of new standards, amendments and interpretations of standards, effective in 2012 and 2013 were issued. These had no material impact on the Authority's financial statements.

As at 31 March 2013, the following Standards and Interpretations have been issued but are not yet effective (and in some cases not yet adopted by the EU):

- IAS 19 Post Employment Benefits: effective for annual periods beginning on or after 1 January 2013. This is an amendment to the existing standard in relation to Recognition, Presentation and Disclosure.
- IFRS 9 Financial Instruments, which will replace IAS 39. This is effective for annual periods beginning on or after 1 January 2015. However, this can be adopted in phases. Phase 1 is on or after 1 January 2009. IFRS 9 is expected to improve and simplify the reporting of financial instruments. It simplifies the classification of financial assets, which determines how they are measured.

- IFRS13 Fair Value Measurement: effective for annual periods beginning on or after 1 January 2013. IFRS13 will provide consistent guidance on fair value measurement.

The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard (IAS 17), which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments. As the Authority currently occupies several properties under operating leases, this is likely to have an effect on the Statement of Financial Position.

1.3 Prior year adjustments

Items are retrospectively restated, in accordance with IAS 8, where either there has been a change in accounting policy or a correction of material prior year errors.

Where there has been a change in accounting policy, the opening balances of each affected component of equity for the earliest period presented and other comparative amounts disclosed for each prior year presented are adjusted as if the new accounting policy has always been applied.

Where a material prior year error is identified, it is corrected by restating the comparative amounts for the prior years presented in which the error occurred, or, where the error occurred before the earliest period presented, by restating the opening balances for the earliest prior year period presented. However, insofar as it is impracticable to determine the period-specific or cumulative effects of the change in policy or error, no restatement will be made.

The prior year adjustment at 01 April 2011 was in relation to the re-classification of the Government Grant Reserve as set out in IAS 20.

In 2012-13 there was a prior year adjustment made in relation to the classification of expenditure for a major capital project. The full impact of this was in 2011-12 and the figures at 01 April 2011 were not adjusted. Further details of this adjustment can be found in note 27. Additionally, there was an adjustment in Note 15 commitments under leases as a result of the correction of an error in the calculation method.

1.4 Property, plant and equipment

Property, plant and equipment includes improvements and capital works to leasehold buildings, plant and machinery, IT equipment, fixtures and fittings, and road vehicles required for the ongoing operations of the Force. These non-current assets are restated to current value each year using the relevant modified historic costing indices from the Office for National Statistics(MM22) for the category of asset. All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised, subject to a minimum monetary limit of £1,000, on an accruals basis in accordance with IAS16 Property, plant and equipment.

The Authority operates a grouping policy on the purchase of Property, Plant and Equipment. This means that when several items of a capital nature are purchased together and the combined cost is greater than £1,000, they are capitalised even if the individual items have a cost of less than £1,000.

1.5 Assets under construction

Assets under construction includes vehicles and capital projects under construction. These assets have been purchased but require essential modification before they are safe and fit for purpose. The vehicle cost includes both the original vehicle cost plus the cost of modification. Buildings under construction includes refurbishment costs for buildings held on operating leases that the Authority has yet to occupy.

1.6 Depreciation

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

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

- Leasehold improvements – Number of years remaining on the lease at time of purchase.
- Plant and machinery – between 5 and 20 years.
- Fixtures and fittings – 5 years.
- Information technology – 5 years.
- Road vehicles – between 3 and 10 years.

No depreciation is provided on assets under construction.

1.7 Intangible assets

Computer software and licences, the Wide Area Network project and expenditure on website development are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred.

The Authority operates a grouping policy on the purchase of Intangible Assets. This means that when several items of a capital nature are purchased together and the combined cost is greater than £1,000, they are capitalised even if the individual items have a cost of less than £1,000.

Internally developed intangible assets, such as application software or databases, expenditure on development in connection with a product or service, which is to be supplied on a full cost recovery basis, and other development expenditure is capitalised if it meets the criteria specified in IAS 38. These criteria include that there is an identifiable asset that will produce future benefits and if the cost can be determined reliably.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible assets held by the Authority meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful lives, on a straight-line basis, over the shorter of the term of the licence or the life of the software package, which is usually between three and five years.

1.8 Disposals

Depreciation is charged on assets in accordance with the Authority's depreciation policy. Depreciation is charged up to the date on which the asset is disposed. Any surplus or deficit is taken to the Statement of Comprehensive Income.

Any gains or losses on the eventual disposal of property, plant and equipment are recognised in the Statement of Comprehensive Income when the asset is derecognised. Gains are not classed as revenue.

1.9 Impairment of assets

For the purpose of impairment testing Property, plant and equipment and finite lived intangible assets should be looked at on any individual basis. Where this is not possible assets should be grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units.

At the end of each reporting period, the Authority reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses the carrying amount of the asset or cash-generating unit is increase to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

1.10 Income

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

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

1.11 Leases

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

1.12 Grants and capital financing

Capital grant in aid received from the DfT is recognised in the Income and Expenditure Reserve.

Subject to the conditions of IAS 20 – Accounting for Government Grants capital funding from other Government and non-government sources is recognised either in full in the Statement of Comprehensive Income in the period in which it is received or classified as deferred income within the Statement of Financial Position and then released on a systematic basis, over the periods in which the entity recognises as expenditure the related costs for which the grants are intended to compensate.

1.13 Provisions

The Authority makes provision for liabilities and charges in accordance with IAS 37 where, at the end of the current reporting period, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable, and a reasonable estimate can be made.

Provisions are charged to the Statement of Comprehensive Income and are released when the transfer of economic benefit to settle the obligation has been made. The key provisions included in these accounts are for claims against the Authority and dilapidations.

1.14 Contingent liabilities

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

1.15 VAT

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

1.16 Interest payable/receivable

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

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

1.17 Inventories

Inventories are made up of uniforms and other inventory items. The inventory items are stated at the lower of cost or net realisable value.

1.18 Research and development

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

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

1.19 Insurance

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

1.20 Financial instruments

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

- a) The significance of financial instruments for the Authority's financial position and performance; and
- b) The nature and extent of risks arising from financial instruments to which the Authority is exposed during the year and at 31 March 2013 and how the Authority manages these risks.

1.21 Provision for bad and doubtful debts

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

1.22 Cash and cash equivalents

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

1.23 Pensions

In compliance with HM Treasury guidelines these accounts comply with IAS19 Employee Benefits which requires a liability to be recognised for retirement benefits as they are earned, and not when they are due to be paid.

Before 1st July 2004 all past and present employees were covered either by the British Transport Police Force Superannuation Fund (BTPFSF) for police officers, which was

established by deed; or the Railway Pension Scheme (RPS), a scheme set up by the Railway Pension Scheme Order (1994) for other staff.

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

On 1 April 2007 the BTPFSF established a new category where all new joiners were enrolled. The existing category was closed to all new members at this time. All schemes are defined benefit schemes meaning that retirement benefits are determined independently of the investments of the scheme. Under the rules of the scheme contributions are made up in either the ratio of 1.5:1 between employer and member respectively for the old BTPFSF scheme, 2:1 for the new BTPFSF scheme, or in the ratio of 1.5:1 between employer and member respectively in regard to the RPS (previously 1.57:1 until 30 June 2009).

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

1.24 Estimation techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for income and expenditure during the reported period and the valuation of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. There may be several alternative estimation techniques, which could produce a range of results. The significant estimation techniques for the Authority include the valuation of property, plant and equipment using the modified historic costing indices from the Office for National Statistics (MM22) for each category of non-current asset.

1.25 Critical accounting judgements and key sources of estimation uncertainty

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

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

1.26 Critical judgements in applying the accounting policies

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

The Authority are required to undertake an annual test for impairment of finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets.

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

1.27 Key sources of estimation uncertainty

There are no significant sources of estimation uncertainty.

1.28 Exceptional items

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

1.29 Revaluation reserve

The Revaluation reserve represents the cumulative restatements of property, plant and equipment using the relevant modified historic costing indices from the Office for National Statistics(MM22) for the category of asset.

1.30 Pension reserve

The Pension Reserve represents the Authority's cumulative liability as a result of the full implementation of IAS19 – Employee Benefits.

In valuing the liabilities of the pension schemes the Authority consults Mercers Limited, who act as the actuaries for the pension schemes. The actuaries provide annual valuations based on estimates of demographic factors, such as life expectancy. The actuaries also provide advice on assumptions underlying the investment assets, such as future rates of return. Note 26 contains sensitivity analysis, for each scheme, which indicates the approximate effects on the actuarial liability of changes to the main actuarial assumptions.

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

2 Segmental analysis

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

3 Income

Under the Railways and Transport Safety Act 2003 the Authority has the power to charge Police Service Agreement (PSA) holders with the cost of providing policing services on the railway. The charge to individual PSA holders is calculated from the Authority's budgeted annual cost using a pre-determined charging mechanism. PSA holders consist of Network Rail, Train Operating Companies, Open Access Operators, Freight Companies, Transport for London and other smaller licence holders. Further information about charges to specific PSA holders is contained in notes 18 and 19.

PSA holders can request enhanced policing services in addition to that provided under the Police Service Agreement mechanism. These are charged at full cost.

Other income includes, amongst other things, grant funding from Government departments, the funding of capital projects from external bodies, and income received under the Home Office Asset Recovery Scheme.

	2012-13	2011-12
	£000	£000
Police Service Agreement income	193,458	193,582
<u>Other income</u>		
London Underground income	52,108	50,888
Enhanced Police Service Agreement income	16,659	16,136
Recoveries in respect of outward secondments	1,007	1,010
Other income	4,715	3,112
	<u>74,489</u>	<u>71,146</u>
Total	<u>267,947</u>	<u>264,728</u>

For further details of the Authority's funding please see note 21.

4 Staff numbers and related costs

Total staff costs consist of:

	Permanently Employed Staff		Temporary Employed Staff	
	2012-13			2011-12
	Total	Total	Total	Total
	£000	£000	£000	£000
Salaries and Wages	179,340	178,402	938	171,516
Social Security Costs	14,448	14,448	0	13,705
Other Pension Costs	43,455	43,455	0	37,500
	<u>237,243</u>	<u>236,305</u>	<u>938</u>	<u>222,721</u>
Sub-total	237,243	236,305	938	222,721
Less recoveries in respect of outward secondments	(1,007)	(1,007)	0	(1,010)
	<u>(1,007)</u>	<u>(1,007)</u>	<u>0</u>	<u>(1,010)</u>
Total net costs	<u>236,236</u>	<u>235,298</u>	<u>938</u>	<u>221,711</u>

Between 01 April 2012 and 31 March 2013, contributions of £28.7m (£26.0m for the year ended 31 March 2012) were paid to the Railway Pension Scheme and the British Transport Police Force Superannuation Fund (BTPFSF) at rates determined by the scheme's Actuary. Employer's contributions are currently 15.09% (+ BRASS matching) for the Railways Pension Scheme, 24% for the BTPFSF and 20% for the BTPFSF (new).

In 2011-12 it was agreed that the Authority would make additional contributions towards the British Transport Police Force Superannuation Fund (these contributions are included within the £28.7m mentioned above (£26.0m on 2011-12)). The contributions for 2012-13 were £5.1m (£2.9m in 2011-12), of which £1.0m was funded by London Underground Limited (£0.5m in 2011-12). This is included within London Underground income.

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

Average number of persons employed

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

				Period ending	
	Police Officers	Police Community Service Officers	Police Staff	2012-13	2011-12
Directly Employed	2,839	364	1,417	4,620	4,513
Other – Agency Staff	0	0	22	22	20
	2,839	364	1,439	4,642	4,533

4.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2011-12	
				Total number of exit packages by cost band	Total number of exit packages by cost band
< £10,000	9	-	9		11
£10,000 – £25,000	5	1	6		2
£25,000 – £50,000	2	1	3		2
£50,000 – £100,000	-	-	-		15
£100,000 – £150,000	-	-	-		-
£150,000 – £200,000	-	-	-		-
Total number of exit packages	16	2	18		30
Total resource cost/£	£204,102	£56,746	£260,848		£1,321,133

There was 16 compulsory redundancies in the period (1 in 2011-12). There were two other exit packages relating to senior members of staff (nil in 2011-12). No officers left under the terms of a Voluntary Severance Scheme in 2012-13 (13 in 2011-12). Compensation payments totalling £1,036,023 were received in 2011-12 in relation to the Voluntary Severance Scheme.

The 13 senior officer departures 2011-12 were been made in accordance with BTP's Voluntary Severance Scheme agreed on 23 December 2010. The scheme was a one-off voluntary selective severance scheme for Police Officers at the rank of Chief Inspector, Superintendent, and Chief Superintendent employed by BTP of a permanent basis. The Authority has obtained Treasury approval for any severance payments over and above the statutory minimum.

Redundancy and other departure costs have been paid in accordance with the contractual obligations of the employee contracts. Exit costs are accounted for in full in the year of departure. Ill health retirement costs are met by the pension scheme and are not included in the table.

5 Other expenditure

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

	Note	2012-13 £000	Restated 2011-12 £000
Supplies and services: other staff costs		6,718	5,041
Supplies and services: communications and computers		12,843	13,692
Supplies and services: other		12,061	8,717
Rentals under operating leases		7,357	7,945
Premises (excluding rentals under operating leases)		9,047	8,817
Transport costs		4,662	4,641
<u>Non-cash items</u>			
Depreciation of property, plant and equipment	6	9,705	9,539
Amortisation of intangible assets	7	2,355	1,811
MHCA Revaluation		2,493	726
Loss on disposal of property, plant and equipment		299	37
Provision provided/(released) for in year	13	20	(35)
Bad Debt Write Offs		335	0
Total		67,895	60,931

During the year the Authority did not purchase any non-audit services from its auditor, The National Audit Office. Included in Supplies and Services: other is a charge of £125,000 for auditors remuneration for audit work related to 2012-13.

6 Property, plant and equipment

	Leasehold improvements	Plant and machinery	Vehicles	Assets under construction – motor vehicles	Assets under construction – other	Fixtures & fittings	IT equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 1 April 2012	38,002	18,904	12,190	1,012	824	2,931	20,376	94,239
Additions	1,366	1,952	1,961	1,137	2,170	87	1,495	10,168
Disposals	(420)	(3,606)	(1,627)	0	0	(49)	(1,038)	(6,740)
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	1,289	498	464	0	0	65	2,010	4,326
At 31 March 2013	40,237	17,748	12,988	2,149	2,994	3,034	22,843	101,993
Depreciation								
At 1 April 2012	9,897	11,060	7,312	0	0	2,138	13,573	43,980
Charged in year	2,502	2,142	1,931	0	0	257	2,873	9,705
Disposals	(256)	(3,425)	(1,530)	0	0	(49)	(997)	(6,257)
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	678	409	312	0	0	82	1,311	2,792
At 31 March 2013	12,821	10,186	8,025	0	0	2,428	16,760	50,220
Carrying amount at 31 March 2013	27,416	7,562	4,963	2,149	2,994	606	6,083	51,773
Carrying amount at 31 March 2012	28,105	7,844	4,878	1,012	824	793	6,803	50,259
Asset Financing:								
Owned	27,416	7,562	4,963	2,149	2,994	606	6,083	51,773
Carrying amount at 31 March 2013	27,416	7,562	4,963	2,149	2,994	606	6,083	51,773

	Leasehold improvements	Plant and machinery	Vehicles	Assets under – construction – motor vehicles	Assets under construction – other	Fixtures & fittings	IT equipment	Total
	Restated £000	Restated £000	£000	£000	Restated £000	Restated £000	Restated £000	Restated £000
Cost								
At 1 April 2011	27,615	14,708	11,370	1,311	8,641	2,774	19,268	85,687
Additions	10,007	4,595	2,283	(299)	(7,817)	131	2,050	10,950
Disposals	0	(618)	(1,471)	0	0	0	(915)	(3,004)
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	71	(71)	0	0	0	0	0
Revaluations	380	148	79	0	0	26	(27)	606
At 31 March 2012	38,002	18,904	12,190	1,012	824	2,931	20,376	94,239
Depreciation								
At 1 April 2011	7,172	9,575	6,272	0	0	1,801	11,766	36,586
Charged in year	2,401	1,858	2,290	0	0	277	2,713	9,539
Disposals	0	(616)	(1,282)	0	0	0	(899)	(2,797)
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	28	(28)	0	0	0	0	0
Revaluations	324	215	60	0	0	60	(7)	652
At 31 March 2012	9,897	11,060	7,312	0	0	2,138	13,573	43,980
Carrying amount at 31 March 2012	28,105	7,844	4,878	1,012	824	793	6,803	50,259
Carrying amount at 31 March 2011	20,443	5,133	5,098	1,311	8,641	973	7,502	49,101
Asset Financing:								
Owned	28,105	7,844	4,878	1,012	824	793	6,803	50,259
Carrying amount at 31 March 2012	28,105	7,844	4,878	1,012	824	793	6,803	50,259

Property, plant and equipment have been stated at current cost using the modified historic costing indices from the Office for National Statistics (MM22) for each category of asset.

The carrying amount at 31 March 2012 has now been restated. Further details can be found in note 27.

7 Intangible assets

Intangible assets comprise of purchases of software, software licences, the wide area network project and expenditure on website development.

	Licences	Software	Wide area network	Websites	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2012	4,415	3,943	4,139	39	0	12,536
Additions	390	417	536	19	1	1,363
Disposals	(120)	(134)	0	0	0	(254)
Impairments	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2013	4,685	4,226	4,675	58	1	13,645
Amortisation						
At 1 April 2012	2,590	2,257	532	2	0	5,381
Charged in year	759	697	889	10	0	2,355
Disposals	(118)	(134)	0	0	0	(252)
Impairments	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2013	3,231	2,820	1,421	12	0	7,484
Carrying amount at 31 March 2013	1,454	1,406	3,254	46	1	6,161
Carrying amount at 31 March 2012	1,825	1,686	3,607	37	0	7,155
Asset Financing:						
Owned	1,454	1,406	3,254	46	1	6,161
Carrying amount at 31 March 2013	1,454	1,406	3,254	46	1	6,161

	Licences Restated	Software Restated	Wide area network	Websites	Assets under construction Restated	Total Restated
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2011	3,901	3,405	2,063	0	0	9,369
Additions	555	577	2,076	39	0	3,247
Disposals	(41)	(39)	0	0	0	(80)
Impairments	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2012	4,415	3,943	4,139	39	0	12,536
Amortisation						
At 1 April 2011	1,965	1,681	0	0	0	3,646
Charged in year	662	615	532	2	0	1,811
Disposals	(37)	(39)	0	0	0	(76)
Impairments	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2012	2,590	2,257	532	2	0	5,381
Carrying amount at 31 March 2012	1,825	1,686	3,607	37	0	7,155
Carrying amount at 31 March 2011	1,936	1,724	2,063	0	0	5,723
Asset Financing:						
Owned	1,825	1,686	3,607	37	0	7,155
Carrying Amount at 31 March 2012	1,825	1,686	3,607	37	0	7,155

The carrying amount at 31 March 2012 has now been restated. Further details can be found in note 27.

8 Financial instruments

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

Liquidity risk

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

Interest rate risk

All of the Authority's financial assets and all of its financial liabilities carry nil or fixed rates of interest, and the Authority is not therefore exposed to significant interest-rate risk.

Foreign currency risk

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

Fair values

Set out below is a comparison by category of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2013.

Primary financial instruments:

	Book Value	Fair Value
	£000	£000
Financial assets:		
Cash at bank	29,650	29,650
Financial liabilities:		
Provisions	1,266	1,266

9 Inventories

	31 March 2013	31 March 2012
	£000	£000
Uniforms		
Opening balance	611	445
Additions	744	1,095
Utilisations	(856)	(929)
Closing balance	<u>499</u>	<u>611</u>
Other	£000	£000
Opening balance	74	0
Additions	287	86
Utilisations	(74)	(12)
Closing balance	<u>287</u>	<u>74</u>
Total inventories	<u>786</u>	<u>685</u>

10 Trade receivables and other current assets

	31 March 2013	31 March 2012
	£000	£000
Amounts falling due within one year:		
Trade receivables	11,650	16,620
VAT receivable	49	0
Other receivables	1,603	1,890
Prepayments and accrued income	7,638	5,395
Less: Provision for bad and doubtful debts	(335)	0
Total	20,605	23,905

	31 March 2013	31 March 2012
	£000	£000
Amounts falling due after more than one year:		
Prepayments and accrued income	96	153
	96	153

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

	31 March 2013	31 March 2012
	£000	£000
Other central government bodies	121	126
Local authorities	4,578	5,948
Intra-government debtors	4,699	6,074
Bodies external to government	16,002	17,984
	20,701	24,058

11 Cash and cash equivalents

	31 March 2013	31 March 2012
	£000	£000
Balance at 01 April	23,592	18,643
Net change in cash and cash equivalent balances	6,058	4,949
Balance at 31 March	29,650	23,592
The following balances at 31 March were held at:		
Government banking service	293	111
Commercial banks and cash in hand	29,357	23,481
Balance at 31 March	29,650	23,592

12 Trade payables and other current liabilities

	31 March 2013	31 March 2012
	£000	£000
Amounts falling due within one year:		
VAT payable	0	254
Other taxation & social security	4,134	3,956
Trade payables	285	652
Other payables	3,459	3,584
Accruals & deferred income	24,555	22,601
Total	32,433	31,047
Amounts falling due after more than one year		
Other payables, accruals and deferred income	1,028	1,134
	1,028	1,134
Amounts in the above figures due to other entities included in the Whole of Government Account		
	31 March 2013	31 March 2012
	£000	£000
Other central government bodies	4,423	4,711
Local authorities	621	0
Intra-government payables and liabilities	5,044	4,711
Bodies external to government	28,417	27,470
	33,461	32,181

13 Provisions for liabilities and charges

Provisions have been recognised within the accounts where:

- (i) The Authority has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation;
- (iii) a reliable estimate can be made of the amount of the obligation;
- (iv) it is subject to a case threshold of £50,000.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at 31 March 2013.

	Claims against the Authority	Employment tribunals	Dilapidations	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	387	274	250	792	1,703
Provided in the year	144	76	0	0	220
Provisions not required written back	(152)	(103)	0	0	(255)
Provisions utilised during the year	(76)	(171)	0	(792)	(1,039)
Balance at 1 April 2012	303	76	250	0	629
Provided in the year	280	0	0	676	956
Provisions not required written back	(206)	(53)	0	0	(259)
Provisions utilised during the year	(37)	(23)	0	0	(60)
Balance at 31 March 2013	340	0	250	676	1,266

Claims against the Authority

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

Employment tribunals

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

Dilapidations

This provision applies to dilapidations of leasehold properties.

Other provisions

The provision at 2010-11 was established based on the estimate of the costs for the Voluntary Severance Scheme for senior officers. All costs relating to this scheme were incurred during 2011-12. The provision at 2012-13 was established based on the estimate of costs in relation to redundancies and the re-employment of retired Police Officers that were in breach of tax legislation.

14 Capital commitments

	31 March 2013	31 March 2012
	£000	£000
Contracted capital commitments at 31 March 2013 for which no provision has been made:		
Property, plant and equipment	459	0
Intangible assets	0	0
	<u>459</u>	<u>0</u>

15 Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Obligations under operating leases for the following periods comprise:

	31 March 2013	Restated 31 March 2012
	£000	£000
Buildings:		
Not later than one year	7,447	7,694
Later than one year but not later than five years	26,088	26,297
Later than 5 years	33,896	44,121
Total operating lease obligations	<u>67,431</u>	<u>78,112</u>

The restatement of the obligation at 31 March 2012 was required due to the correction of an error in the calculation method. This error led to the commitment at 31 March 2012 being understated by £5,396k.

15.1 Finance leases

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

16 Other financial commitments

The Authority did not enter into any non-cancellable contracts (which are not leases) during 2012-13 (Nil in 2011-12 and previous years).

17 Contingent liabilities disclosed under IAS37

The Authority has no Contingent liabilities under IAS37.

18 Related party transactions – London Underground area

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

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

The Chief Constable has legal authority for the Force and, subject to approval by the Authority, and in agreement LUL determines the level of resources required annually. Under the agreement the Authority recharges all payroll and other agreed costs of providing the police service to LUL on a periodic basis. In addition the agreement provides for the recovery of an appropriate share of the Authority’s centrally organised services.

In 2012-13 staff costs relating to LUL were £45.2m (£45.0m for the year ended 31 March 2012). The average number of police officers and police staff employed on London Underground during 2012-13 was 998 (944 for the year ended 31 March 2012).

LUL was invoiced by the Authority £12,040,165 in 2012-13 for non staff related costs (£11,101,720 in 2011-12) and as at 31 March 2013 £819,011 was outstanding (£2,688,541 at 31 March 2012).

19 Related party transactions – other

The Department for Transport as the Authority’s sponsor is a related party. The DfT was invoiced by the Authority £nil in 2012-13 (£5,610 in 2011-12) and as at 31 March 2013 there was nothing outstanding (£nil at 31 March 2012). The Authority received grant-in-aid totalling £20,141,053 in 2012-13 (£14,993,000 in 2011-12).

Network Rail with whom the Authority has a Police Service Agreement is also a related party. Network Rail was invoiced by the Authority £75,188,117 in 2012-13 (£74,344,700 in 2011-12) and as at 31 March 2013 £5,680,050 was outstanding (£6,475,198 at 31 March 2012).

Five members of the Authority are drawn from organisations providing railway services. Some of these members are employed by organisations that have contracts with the Authority. The corporate governance arrangements of the Authority require members to register financial and other interests and also to disclose personal or prejudicial interest where matters are discussed at meetings of the Authority.

Also, four members are drawn from a background which requires them to have an interest with people travelling on the railway. Further details of Authority members and their interests can be found in the Management Commentary.

20 Third party assets

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

	31 March 2012 £000	Gross Inflows £000	Gross Outflows £000	31 March 2013 £000
British Transport Police Authority Property Act fund account	52	0	(9)	43
British Transport Police cash seizures account	641	373	(390)	624
Total third party assets	693	373	(399)	667

British Transport Police Authority Property Act fund account

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

British Transport Police cash seizures account

In accordance with the Proceeds of Crime Act 2002 the Authority's Police Officers have the power to seize cash from suspects and hold the money until court proceedings have completed. The cash, with interest, is then either paid back to the defendant or paid over to the Home Office or other relevant authorities. As the cash is not the property of the Authority it

does not form part of the Force's normal banking arrangements. As a result the Authority set up a separate interest earning account with Royal Bank of Scotland (RBS).

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

21 Charges to police service users

As a result of the Judicial Review in 2009, the core PSA charges are calculated by using two different models for different PSA holders, depending on the contract that the PSA holder has in place. When the charges are calculated using the two different models, the charges do not recover 100% of the Authority's net expenditure. A formal agreement is in place with the DfT which funds this gap. In 2012-13 the gap was £5,388,342 (£5,268,000 in 2011-12). This agreement came to an end at 31 March 2013.

22 Losses and special payments

There were no special payments during 2012-13 (£nil in 2011-12).

Payments that met the definition of a loss are as follows:

	31 March 2013	31 March 2012
	£000	£000
Actual payments in year	217	0
Amounts accrued at year end	155	0
Amounts provided for at year end	835	0
	<u>1,207</u>	<u>0</u>

The losses in 2012-13 primarily relate to 18 Police Officers that had retired and been re-employed. As a result of a change in tax legislation a break in service of one calendar month or six calendar months depending on the new role and the age on retirement is required if the employee was aged less than 55. If these conditions were not met the pension payable could be deemed to be taxable. BTPA have worked with the HMRC and the Pensions trustee to reach a satisfactory outcome. These losses total £872k. There were additional losses in relation to bad debt provisions totalling £335k.

23 Events after the reporting period

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

24 Income and expenditure reserve

This comprises the distributable reserve, the revenue financing reserve, the capital financing reserve, the working capital reserve and the contingency reserve.

	Distributable reserve	Revenue financing reserve	Capital financing reserve	Working capital reserve	Contingency reserve	Total
	Restated £000	£000	£000	£000	£000	Restated £000
Opening balance at 01 April 2011	(20,693)	33,500	37,981	6,500	2,724	60,012
Changes in accounting policy	0	342	111	0	0	453
Restated balance at 01 April 2011	(20,693)	33,842	38,092	6,500	2,724	60,465
Comprehensive Income for the year	(19,167)	0	0	0	0	(19,167)
Transfer between reserves	11,818	0	0	0	561	12,379
Revenue grant received	0	14,577	0	0	0	14,577
Capital grant in aid received	0	0	416	0	0	416
Balance at 31 March 2012	(28,042)	48,419	38,508	6,500	3,285	68,670
Changes in accounting policy	0	0	0	0	0	0
Prior year as restated	(28,042)	48,419	38,508	6,500	3,285	68,670
Comprehensive income for the year	(49,593)	0	0	0	0	(49,593)
Transfer between reserves	43,107	(13,796)	0	0	310	29,621
Revenue grant received	0	20,141	0	0	0	20,141
Capital grant in aid received	0	0	0	0	0	0
Closing balance at 31 March 2013	(34,528)	54,764	38,508	6,500	3,595	68,839

Distributable reserve

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

Revenue financing reserve

The revenue financing reserve represents funding received from the DfT. This has primarily been to cover the impact of the Judicial Review, which resulted in the core PSA charges being based on two models which do not recover 100% of the Authority's net expenditure. There is a formal agreement with the DfT to fund this gap. The Authority have received formal permission from the DfT to convert these funds from loan to financing. In addition the Authority have also received funding to cover the cost of the Olympics and the Metal Theft Taskforce. The prior year adjustment relates to the impact of IAS20 Accounting for Government Grants.

Capital financing reserve

The capital financing reserve represents the funding received from the DfT for the general acquisition of capital goods.

The prior year adjustment relates to the impact of IAS20 Accounting for Government Grants.

Working capital reserve

The working capital reserve represents Grant in Aid from the DfT to ensure the liquidity of the Authority.

Contingency reserve

The contingency reserve was created with the agreement of HM Treasury and the DfT to provide for unexpected events, such as major incidents and crimes, and to reduce the impact of these events on a single years budget. The reserve ceiling is being increased by the retail price index each year.

25 Disclosure of retirement benefits

The pension costs associated with staff employed by the Authority during the year are £43.0m (£37.5m in 2011-12). In addition there was a net interest on the pension fund of £12.6m (£0.4m in 2011-12), leaving a net debit in relation of pensions for the year of £55.6m (£37.9m in 2011-12). The total pension liabilities for all staff, past and present, are shown in the Statement of Financial Position. These amount to £474.2m (£306.3m in 2011-12). HM Treasury have confirmed that the charge or credit to the Statement of Comprehensive Income arising from IAS19 should be excluded from the calculation of the amount to be reclaimed from parties with Police Service Agreements with the Authority.

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

The position of the schemes at 31 March 2013 were as follows:

	31 March 2013	31 March 2012
	£000	£000
Pension liabilities		
British Transport Police Force Superannuation Fund (BTPFSF)	424,970	279,060
British Transport Police Section of the Railways Pension Scheme (RPS)	49,210	27,210
	<hr/>	<hr/>
	474,180	306,270
	<hr/>	<hr/>

The amounts recognised in the Statement of comprehensive income are as follows:

	31 March 2013	31 March 2012
	£000	£000
Pension costs reflected in the statement of comprehensive income		
Current Service Cost – BTPFSF	37,480	33,310
Current Service Cost – RPS	7,190	5,750
Less: Government Support Payments*	(1,710)	(1,860)
	<hr/>	<hr/>
	42,960	37,200
Timing Differences**	495	300
	<hr/>	<hr/>
	43,455	37,500

	31 March 2013	31 March 2012
	£000	£000
IAS19 interest reflected in the statement of comprehensive income		
Net Interest – BTPFSF	11,380	(40)
Net Interest – RPS	1,220	460
	<u>12,600</u>	<u>420</u>
Exceptional items		
British Transport Police Force Superannuation Fund (BTPFSF)	0	0
British Transport Police Section of the Railways Pension Scheme (RPS)	0	0
	<u>0</u>	<u>0</u>
Total amount recognised in the statement of comprehensive income	<u>56,055</u>	<u>37,920</u>

*Government support payments have been excluded from the statement of comprehensive income as they are eliminated from the IAS19 calculation of the overall cost of the pensions, and it is appropriate to include an assumption of Government support in the actuarial valuation of the pensions liability.

**The timing differences are due to the pension schemes and the Authority having different financial years. This results in transactions being included within the Authority's accounts but not within the pensions scheme's figures.

Further details can be found in note 26.

26 British Transport Police Force Superannuation Fund (BTPFSF)

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

From 1 April 2007 the BTPFSF established a new category where all new joiners will be enrolled – hereafter known as BTPFSF (new). The existing category was closed to all new members at this time. The new category is a defined benefit scheme.

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

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

Members pay contributions of 16.0% of scheme salary and the employer pays one and a half times the employee contribution, being 24.0%. In addition the employer paid a deficit

payment of 1.7% of the benefit outgoings for the 1970 Contributory Section of the BTPFSF for 3 years from 1 April 2005 until 31 March 2008.

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

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

The service cost has been calculated as the total cost (including BRASS contributions which are also included in the employer’s contribution figure) less actual employee contributions. BRASS and AVC Extra are additional voluntary contribution arrangements which accept additional employee contributions.

It is the policy of the Authority to recognise actuarial gains and losses in the year they occur through Other Comprehensive Income.

Under the Trust Deed and Rules the pension fund is subject to an independent triennial actuarial valuation to monitor the funding level and determine the employer’s and employees’ contribution rates. An independent actuarial valuation was carried out as at 31 December 2009 by Towers Watson. The results, which showed a deficit, have now been finalised, and a recovery plan has been agreed with the Trustee, whereby it has been agreed that the employer repays £5.0m per annum, commencing 01 October 2011 and ending 31 March 2019. The repayment schedule incorporates an allowance for inflation each year.

Punter Southall have been appointed by the Trustee of the BTPFSF to conduct the triennial actuarial valuation as at 31 December 2012. The results are not due to be finalised until 31 March 2014. The Authority uses Mercer Limited to provide the annual IAS19 valuation.

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

2008-09	13.0% of salaries
2009-10	9.7% of salaries
2010-11	16.0% of salaries
2011-12	14.3% of salaries
2012-13	15.18% of salaries

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

	31 March 2013	31 March 2012
	£000	£000
Benefit obligation at beginning of year	1,140,720	1,034,100
Current service cost	37,480	33,310
Interest cost	58,380	57,070
Plan participants' contributions	11,950	12,140
Past service costs	0	0
Actuarial (gains)/losses	149,210	41,330
Losses (gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Benefits paid (including expenses)	(41,570)	(37,230)
Effect of exchange rate changes	0	0
	<hr/>	<hr/>
Benefit obligation at end of year	1,356,170	1,140,720
<u>Analysis of defined benefit obligation</u>		
Plans that are wholly or partly funded	1,356,170	1,140,720
Plans that are wholly unfunded	0	0
	<hr/>	<hr/>
Total	1,356,170	1,140,720

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

	31 March 2013	31 March 2012
	£000	£000
Fair value of plan assets at beginning of year	861,660	853,010
Expected return on plan assets	47,000	57,110
Actuarial gains/(losses)	26,050	(47,150)
Business combinations	0	0
Assets distributed on settlements	0	0
Employer contribution	24,400	21,920
Member contributions	11,950	12,140
Government support payments	1,710	1,860
Benefits paid (including expenses)	(41,570)	(37,230)
Effect of exchange rate changes	0	0
	<hr/>	<hr/>
Fair value of plan assets at end of year	931,200	861,660

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

	31 March 2013	31 March 2012
	£000	£000
Present value of funded obligations	1,356,170	1,140,720
Fair value of plan assets	(931,200)	(861,660)
	<u>424,970</u>	<u>279,060</u>
Present value of unfunded obligations	0	0
Unrecognised actuarial gains (losses)	0	0
Unrecognised past service cost	0	0
	<u>424,970</u>	<u>279,060</u>
Net liability	<u>424,970</u>	<u>279,060</u>
Amounts in the statement of financial position:		
liabilities	424,970	279,060
assets	0	0
	<u>424,970</u>	<u>279,060</u>
Net liability	<u>424,970</u>	<u>279,060</u>

The amounts recognised in the statement of comprehensive income are as follows:

	31 March 2013	31 March 2012
	£000	£000
Current service cost	37,480	33,310
Interest on obligation	58,380	57,070
Expected return on plan assets	(47,000)	(57,110)
Net actuarial losses (gains) recognised in year	0	0
Past service cost	0	0
Losses (gains) on curtailments and settlements	0	0
	<u>48,860</u>	<u>33,270</u>
Total pension cost recognised in the income statement	48,860	33,270
Actual return on plan assets	73,050	9,950

The amounts recognised in the statement of other comprehensive income are as follows:

	31 March 2013	31 March 2012
	£000	£000
Actuarial (gains)/losses immediately recognised	123,160	88,480
Effect of asset limitation and IAS minimum funding requirement	0	0
	<u>123,160</u>	<u>88,480</u>
Total pension cost recognised in the Other Comprehensive Income	123,160	88,480
Cumulative amount of actuarial (gains)/losses recognised	187,590	64,430

The Authority expects to contribute around £27.0m to this pension scheme in the year ending 31 March 2014 (£27.0m in the year ended 31 March 2013).

Principal actuarial assumptions as at the end of the reporting period (expressed as weighted averages)Weighted average assumptions used to determine benefit obligations at:

	31 March 2013	31 March 2012
Discount rate	4.40%	5.10%
Rate of salary increase	4.50% *	4.40% **
Rate of RPI price inflation	3.50%	3.40%
Rate of CPI price inflation	2.50%	2.40%
Rate of pensions increases	2.50%	2.40%

*allowance has been made for a pay freeze until 2013, then increases of 1% pa for 3 years and then increases of 4.5% pa thereafter.

**allowance has been made for a pay freeze until 2013 and then increases of 4.4% pa thereafter.

Weighted average assumptions used to determine net pension cost for the year ended:

	31 March 2013	31 March 2012
Discount rate	5.10%	5.50%
Expected long-term return on plan assets	5.47%	6.70%
Rate of salary increase	4.40% **	4.50% ***
Rate of RPI price inflation	3.40%	3.50%
Rate of CPI price inflation	2.40%	2.75%
Rate of pensions increases	2.40%	2.75%

**allowance has been made for a pay freeze until 2013 and then increases of 4.4% pa thereafter.

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

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	31 March 2013	31 March 2012
Male member age 65 (current life expectancy)	21.7	21.7
Female member age 65 (current life expectancy)	24.5	24.5
Male member age 45 (life expectancy at age 65)	24.0	24.0
Female member age 45 (life expectancy at age 65)	26.9	26.9

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

<u>Percentage of plan assets by asset allocation</u>	31 March 2013	31 March 2012
Equity securities	53.80%	60.00%
Debt securities	16.50%	19.90%
Property	9.30%	9.60%
Government Support Payments	1.50%	1.70%
Other – includes cash, infrastructure & commodities	18.90%	8.80%
	100.00%	100.00%

<u>Expected return on assets by asset allocation</u>	31 March 2013	31 March 2012
Equity securities	6.30%	6.60%
Debt securities	3.80%	4.30%
Property	4.80%	5.10%
Government Support Payments	4.40%	5.10%
Other – includes cash, infrastructure & commodities	1.44%	1.94%
	4.80%	5.47%

To develop the expected long-term rate of return on assets assumption, Mercer's considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations of future returns for each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.16% assumption for the year ended 31 March 2009, 6.60% for the year ended 31 March 2010, 6.70% for the year ended 31 March 2011, 5.47% for the year ended 31 March 2012 and 4.80% for the year ended 31 March 2013.

History of experience gains and losses

	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Defined benefit obligation at the end of year	1,356,170	1,140,720	1,034,100	1,214,200	862,900
Fair value of plan assets at end of year	931,200	861,660	853,010	788,300	592,400
Deficit/(Surplus)	424,970	279,060	181,090	425,900	270,500
Difference between expected and actual return on scheme assets:					
amount (£'000)	(26,050)	47,150	(18,200)	(160,200)	(293,400)
percentage of scheme assets	(3%)	5%	(2%)	(20%)	(50%)
Experience gains and losses on scheme liabilities:					
amount (£'000)	(790)	0	(31,600)	(13,800)	(200)
percentage of scheme liabilities	0%	0%	(3%)	(1%)	0%

The actuarial update as at 31 March 2013 showed an increase in the shortfall from £279,060,000 to £424,970,000.

Sensitivity analysis

Sensitivities from Base 31/03/13 (one item changed with all other things held constant)

At 31 March 2013	31 March 2012	31 March 2013	Disc rate –0.25%	Disc rate +0.25%	Inflation rate –0.25%	Inflation rate +0.25%	Mortality –1 yr age rating	Assets –10%	Assets +10%
Fair value of plan assets	861.65	931.20	931.20	931.20	931.20	931.20	931.20	838.08	1,024.31
Present Value of funded benefit obligation	1,140.72	1,356.17	1,431.49	1,286.25	1,291.74	1,427.81	1,381.75	1,356.17	1,356.17
Net liability (asset), excluding any affect of asset limit	279.07	424.97	500.29	355.05	360.54	496.61	450.55	518.09	331.86
Projected expense for 2013-14 (modelling limited to liability adjustments only)									
Current service cost	37.48	45.10	49.30	41.30	41.60	49.00	46.00	45.10	45.10
Interest cost	58.38	58.80	58.60	58.90	55.90	61.90	59.90	58.80	58.80
Expected return on plan assets	(47.00)	(40.90)	(38.60)	(43.20)	(40.90)	(40.90)	(40.90)	(36.80)	(45.00)
Administrative expenses and taxes	0.00	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Total pension cost before asset limits	48.86	64.70	71.00	58.70	58.30	71.70	66.70	68.80	60.60
Actuarial assumption at 31 March 2013									
Discount rate	5.10%	4.40%	4.15%	4.65%	4.40%	4.40%	4.40%	4.40%	4.40%
Rate of RPI price inflation	3.40%	3.50%	3.50%	3.50%	3.25%	3.75%	3.50%	3.50%	3.50%
Rate of CPI price inflation	2.40%	2.50%	2.50%	2.50%	2.25%	2.75%	2.50%	2.50%	2.50%
Rate of salary increase	4.40%	4.50%	4.50%	4.50%	4.25%	4.75%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	5.47%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%

Notes:

All figures in £m

These initial pension expense forecasts are highly sensitive to changes in market conditions and should not be relied upon without further advice. The assumptions used should be considered in conjunction with Mercer's paper on accounting assumptions dated 8 April 2013.

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

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

This section is open to new members.

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

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

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

It is the policy of the Authority to recognise actuarial gains and losses in the year they occur through Other Comprehensive Income.

Under the Pension Trust and Regulations the RPS is subject to an independent triennial actuarial valuation to monitor the funding level and determine the employer’s and employees’ contribution rates. An independent actuarial valuation was carried out as at 31 December 2010 by Towers Watson. The results have been finalised and did not result in any changes to either employee or employer contributions. The Authority uses Mercer Limited to provide the annual IAS19 valuation.

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

2008-09	3.1% of salaries
2009-10	2.3% of salaries
2010-11	3.8% of salaries
2011-12	2.5% of salaries
2012-13	3.1% of salaries

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

	31 March 2013	31 March 2012
	£000	£000
Benefit obligation at beginning of year	92,600	80,300
Current service cost	7,190	5,750
Interest cost	4,920	4,620
Plan participants' contributions	2,830	2,670
Past service costs	0	0
Actuarial (gains)/losses	20,250	(70)
Losses (gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Benefits paid (including expenses)	(2,300)	(670)
Effect of exchange rate changes	0	0
	<hr/>	<hr/>
Benefit obligation at end of year	125,490	92,600
<u>Analysis of defined benefit obligation</u>		
Plans that are wholly or partly funded	125,490	92,600
Plans that are wholly unfunded	0	0
	<hr/>	<hr/>
Total	125,490	92,600

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

	31 March 2013	31 March 2012
	£000	£000
Fair value of plan assets at beginning of year	65,390	58,130
Expected return on plan assets	3,700	4,160
Actuarial gains/(losses)	2,330	(2,990)
Business combinations	0	0
Assets distributed on settlements	0	0
Employer contribution (including BRASS matching)	4,330	4,090
Member contributions	2,830	2,670
Benefits paid (including expenses)	(2,300)	(670)
Effect of exchange rate changes	0	0
	<hr/>	<hr/>
Fair value of plan assets at end of year	76,280	65,390

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

	31 March 2013	31 March 2012
	£000	£000
Present value of funded obligations	125,490	92,600
Fair value of plan assets	(76,280)	(65,390)
	<u>49,210</u>	<u>27,210</u>
Present value of unfunded obligations	0	0
Unrecognised actuarial gains (losses)	0	0
Unrecognised past service cost	0	0
	<u>49,210</u>	<u>27,210</u>
Net liability	<u>49,210</u>	<u>27,210</u>
Amounts in the statement of financial position:		
liabilities	49,210	27,210
assets	0	0
	<u>49,210</u>	<u>27,210</u>
Net liability	<u>49,210</u>	<u>27,210</u>

The amounts recognised in the statement of comprehensive income are as follows:

	31 March 2013	31 March 2012
	£000	£000
Current service cost	7,190	5,750
Interest on obligation	4,920	4,620
Expected return on plan assets	(3,700)	(4,160)
Net actuarial losses (gains) recognised in year	0	0
Past service cost	0	0
Losses (gains) on curtailments and settlements	0	0
	<u>8,410</u>	<u>6,210</u>
Total pension cost recognised in the income statement	8,410	6,210
Actual return on plan assets	6,030	1,170

The amounts recognised in the statement of other comprehensive income are as follows:

	31 March 2013	31 March 2012
	£000	£000
Actuarial (gains)/losses immediately recognised	17,920	2,920
Effect of asset limitation and IAS minimum funding requirement	0	0
	<u>17,920</u>	<u>2,920</u>
Total pension cost recognised in the Other Comprehensive Income	17,920	2,920
Cumulative amount of actuarial (gains)/losses recognised	22,710	4,790

The Authority expects to contribute around £4.4m to this pension scheme in the year ending 31 March 2014 (£4.3m in the year ended 31 March 2013).

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

Weighted average assumptions used to determine benefit obligations at:

	31 March 2013	31 March 2012
Discount rate	4.40%	5.10%
Rate of Salary increase	4.5% *	4.40% **
Rate of RPI price inflation	3.50%	3.40%
Rate of CPI price inflation	2.50%	2.40%
Rate of pensions increases	2.50%	2.40%

*allowance has been made for a pay freeze until 2013, then increases of 1% pa for 3 years and then increases of 4.5% pa thereafter.

**allowance has been made for a pay freeze until 2013 and then increases of 4.4% pa thereafter.

Weighted average assumptions used to determine net pension cost for the year ended:

	31 March 2013	31 March 2012
Discount rate	5.10%	5.50%
Expected long-term return on plan assets	5.44%	6.80%
Rate of compensation increase	4.40% **	4.50% ***
Rate of RPI price inflation	3.40%	3.50%
Rate of CPI price inflation	2.40%	2.75%
Rate of pensions increases	2.40%	2.75%

**allowance has been made for a pay freeze until 2013 and then increases of 4.4% pa thereafter.

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

Weighted average life expectancy for mortality used to determine benefit obligations:

Due to a change in the way in which the weighted average life expectancy for mortality is calculated this information is no longer supplied in the same format as previous years.

The assumptions for mortality adopted as at 31 March 2012 and 31 March 2013 are described in the draft valuation results paper on the actuarial valuation as at 31 December 2010 dated 23 August 2011.

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

<u>Percentage of plan assets by asset allocation</u>	31 March 2013	31 March 2012
Equity securities	53.10%	59.30%
Debt securities	17.30%	16.30%
Property	8.90%	9.20%
Other – includes cash, infrastructure & commodities	20.70%	15.20%
	100.00%	100.00%

<u>Expected return on assets by asset allocation</u>	31 March 2013	31 March 2012
Equity securities	6.30%	6.60%
Debt securities	4.22%	4.78%
Property	4.80%	5.10%
Other – includes cash, infrastructure & commodities	1.39%	1.81%
	4.79%	5.44%

To develop the expected long-term rate of return on assets assumption, Mercer considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation at the accounting date to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.22% assumption for the year ended 31 March 2009, 6.71% for the year ended 31 March 2010, 6.80% for the year ended 31 March 2011 and 5.44% for the year ended 31 March 2012 and 4.79% for the year ended 31 March 2013.

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

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
	£000	£000	£000	£000	£000
Benefit obligation at the end of year	125,490	92,600	80,300	92,400	53,600
Fair value of plan assets at end of year	76,280	65,390	58,130	49,300	32,000
Deficit/(Surplus)	49,210	27,210	22,170	43,100	21,600
Difference between expected and actual return on scheme assets:					
amount (£'000)	(2,330)	2,990	(500)	(10,100)	14,470
percentage of scheme assets	(3%)	5%	(1%)	(20%)	45%
Experience gains and losses on scheme liabilities:					
amount (£'000)	(120)	(6,520)	0	100	(800)
percentage of scheme liabilities	0%	(7%)	0%	0%	(1%)

The actuarial update as at 31 March 2013 showed an increase in the shortfall from £27,210,000 to £49,210,000.

Sensitivity analysis

Sensitivities from Base 31/03/13 (one item changed with all other things held constant)

At 31 March 2013	31 March 2012	31 March 2013	Disc rate –0.25%	Disc rate +0.25%	Inflation rate –0.25%	Inflation rate +0.25%	Mortality –1 yr age rating	Assets –10%	Assets +10%
Fair value of plan assets	65.39	76.28	76.28	76.28	76.28	76.28	76.28	68.65	83.91
Present Value of funded benefit obligation	92.60	125.49	135.55	116.30	116.91	134.66	127.91	125.49	125.49
Deficit (surplus) for funded plans	27.21	49.21	59.27	40.02	40.63	58.38	51.63	56.84	41.58
Present value of unfunded obligation	–	–	–	–	–	–	–	–	–
Unrecognised net actuarial gain/(loss)	–	–	–	–	–	–	–	–	–
Unrecognised past service cost/(benefits)	–	–	–	–	–	–	–	–	–
Net liability (asset), excluding any affect of asset limit	27.21	49.21	59.27	40.02	40.63	58.38	51.63	56.84	41.58
Projected expense for 2013-14 (Modelling Limited to Liability Adjustments Only)									
Current service cost	7.19	9.11	10.17	8.15	8.23	10.06	9.33	9.11	9.11
Interest cost	4.92	5.49	5.59	5.37	5.11	5.89	5.59	5.49	5.49
Expected return on plan assets	(3.70)	(3.47)	(3.27)	(3.67)	(3.47)	(3.47)	(3.47)	(3.13)	(3.81)
Administrative expenses and taxes	–	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Amortisation of past service cost excl. asset limit	–	–	–	–	–	–	–	–	–
Amortisation of net (gain)/loss excl. asset limit	–	–	–	–	–	–	–	–	–
Total pension cost before asset limits	8.41	11.61	12.97	10.33	10.35	12.96	11.93	11.95	11.27
Actuarial assumption at 31 March 2013									
Discount rate	5.10%	4.40%	4.15%	4.65%	4.40%	4.40%	4.40%	4.40%	4.40%
Rate of RPI price inflation	3.40%	3.50%	3.50%	3.50%	3.25%	3.75%	3.50%	3.50%	3.50%
Rate of CPI price inflation	2.40%	2.50%	2.50%	2.50%	2.25%	2.75%	2.50%	2.50%	2.50%
Rate of salary increase	4.40%	4.50%	4.50%	4.50%	4.25%	4.75%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	5.44%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%

Notes:

All figures in £m

These initial pension expense forecasts are highly sensitive to changes in market conditions and should not be relied upon without further advice.

The assumptions used should be considered in conjunction with Mercers' paper on accounting assumptions dated 8 April 2013.

27 Prior Year Adjustment – Non Current Assets

During the year it was recognised that one of the major capital projects had been incorrectly classified with regards to expenditure type. This required adjustments to the prior year accounts relating to asset classification as well as an adjustment to the amounts charged to the statement of comprehensive income in relation to depreciation and MHCA. These changes were as follows:

	Note	31 March 2012	Adjustments	01 April 2012
Income & Expenditure Reserve				
Restated opening balance		(60,465)	0	(60,465)
Transfers between reserves		(12,379)	0	(12,379)
Comprehensive income for the year		19,013	154	19,167
Total grants received in the year		(14,993)	0	(14,993)
Revised Income & Expenditure Reserve		(68,824)	154	(68,670)
Revaluation Reserve		(4,270)	1	(4,269)
Pension Reserve		306,270	0	306,270
Taxpayers' Equity		233,176	155	233,331
Property, Plant and Equipment	6	50,116	143	50,259
Intangible assets	7	7,453	(298)	7,155
Trade and other receivables – greater than 1 year	10	153	0	153
Inventories	9	685	0	685
Trade and other receivables – within 1 year	10	23,905	0	23,905
Cash and cash equivalents	11	23,592	0	23,592
Trade and other payables – within 1 year	12	(31,047)	0	(31,047)
Provisions for liabilities and charges	13	(629)	0	(629)
Pension Liabilities	25	(306,270)	0	(306,270)
Other payables – greater than 1 year	12	(1,134)	0	(1,134)
Net Assets		(233,176)	(155)	(233,331)